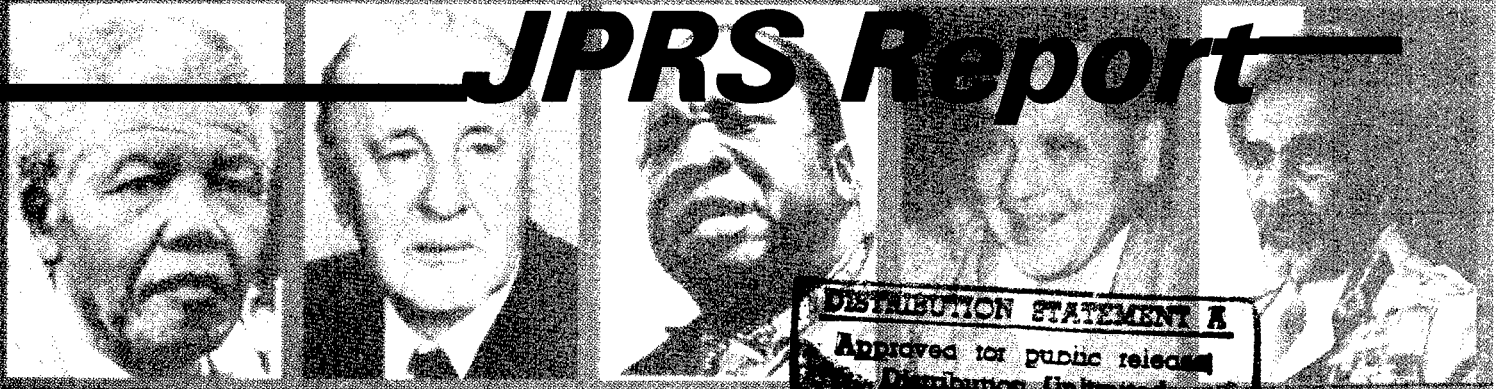


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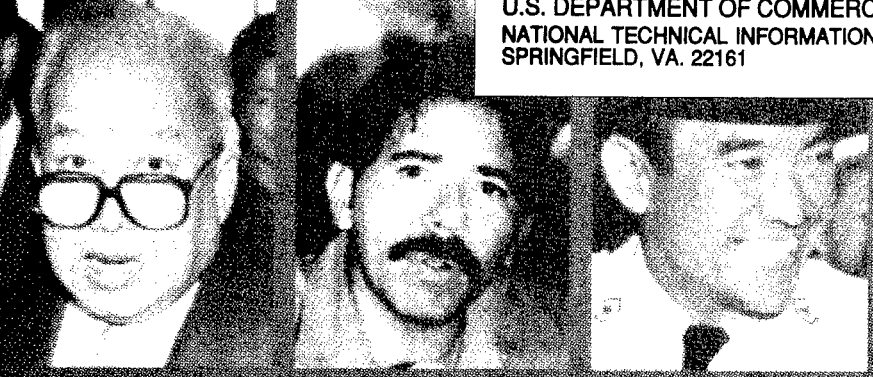


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CONTENTS

31 January 1991

INTERNATIONAL

GENERAL

Western Economies Seen Vulnerable to Oil Crisis [SHIJIE ZHISHI No 22]	1
Impact of Middle East Crisis on World Affairs [Hong Kong MING PAO YUE KAN No 300]	3
People Express Concern at War in Gulf [XINHUA]	4
Soviet, Japanese Ministers Discuss Territories [XINHUA]	5

NORTHEAST ASIA

Japanese Investment Shifting to Asia [GUOJI ZHANWANG No 21]	5
---	---

POLITICAL

Spirit of 6th Plenary Session Lags in Some Areas [SIXIANG ZHENGZHI GONGZUO YANJIU No 11]	8
---	---

ECONOMIC

NATIONAL AFFAIRS, POLICY

Price Bureau Chief Discusses Prices, Price Reform [JIAGE LILUN YU SHIJIAN No 9]	11
---	----

FINANCE, BANKING

Reforming the Price Subsidy System [GAIGE No 5]	14
Zhao Haikuan Views Financial Structural Reform [GAIGE No 5]	17
Current Financial Situation [JINRONG SHIBAO 21 Nov]	21
Banks To Handle Interest-Bearing Savings Deposits [JINRONG SHIBAO 14 Nov]	22
Drawbacks of Financial Subsidies Viewed [CHINA DAILY 9 Jan]	23
Bank of China To Adjust Loan Structure [CHINA DAILY 15 Jan]	24
People's Construction Bank To Cut Loans [CHINA DAILY 16 Jan]	25
Shanghai To Permit Foreign Currency Securities [CHINA DAILY 19 Dec]	25

INDUSTRY

Sichuan Plans Economic Technological Development Zone [Hong Kong CHING CHI TAO PAO No 36]	26
Sensor Technology Bases Planned [Hong Kong CHING CHI TAO PAO No 37]	26
Minister of Textile Industry Projects Future [Hong Kong CHING CHI TAO PAO No 37]	26
Border Areas Set Up Open Zones [Hong Kong CHING CHI TAO PAO No 40]	27
Medium, Small Enterprises Head for Technological Cooperation [Hong Kong CHING CHI TAO PAO No 40]	27
Industrial Production Situation in Liaoning Analyzed [LIAONING JINGJI BAO 12 Nov]	27
Regulations To Improve Planned Management of New Products [KEJI RIBAO 18 Nov]	29
Hebei Reviews Industrial Production Strategy [HEBEI RIBAO 18 Nov]	34
Anhui Outlines Major Industrial Development Plans [JINGJI XINXI BAO 15 Nov]	35
Background of Country's Largest Polyester Plant [ZHONGGUO FANGZHI BAO 19 Nov]	35
Liaoning's Achievements in Metallurgical Industry [Shenyang Radio]	36
November Gross Industrial Output [CEI Database]	37
Jilin Industrial Production Achievements Reported [Changchun Radio]	37
Sichuan Continues Construction of High-Tech Zone [XINHUA]	37
Industrial Production Rises in Beijing [XINHUA]	37
Textile Industry Biggest Dollar Earner in 1990 [XINHUA]	38

Liaoning Materials Supply Group Established [XINHUA]	38
Sichuan's Chongqing Plans High-Tech Industrial Zone [XINHUA]	38
1990 Output of Light Industrial Products [CEI Database]	39

SMALL-SCALE ENTERPRISES

Fujian Further Develops Exporting Township Enterprises [FUJIAN RIBAO 21 Nov]	39
Township Enterprises Contribute to Development [XINHUA]	40

CONSTRUCTION

Anhui Develops Key Construction Projects [ANHUI RIBAO 26 Dec]	40
---	----

COMMERCE

Methods To Reform State-Owned Commerce Viewed [GONGREN RIBAO 23 Nov]	41
--	----

FOREIGN TRADE, INVESTMENT

Beijing Notes Export Achievements [Beijing Radio]	42
Shaanxi Export Values Top \$450 Million [XINHUA]	43
More Foreign-Funded Enterprises Approved in Hubei [XINHUA]	43
Beijing Increases Number of Overseas Enterprises [XINHUA]	43
Nanjing Port Handles Record Foreign Trade Volume [XINHUA]	43
Beijing Signs More Contracts With Foreign Countries [XINHUA]	43
Sichuan's Chongqing Improves Investment Environment [XINHUA]	44
Records Set in Receipt, Use of Foreign Capital [XINHUA]	44
Hebei To Expand Foreign Economic Cooperation [XINHUA]	44
Chemical Industry To Seek More Foreign Investment [XINHUA]	45
Shipbuilding Industry Exports Nearly Double [XINHUA]	45
Silk Exports Increase [XINHUA]	45

ECONOMIC ZONES

Export Growth Seen in Special Economic Zones [CHINA DAILY 22 Jan]	46
Guangdong's West Zhuhai SEZ Developing Into Industrial Zone [XINHUA]	46
Shenzhen Opening Bonded Production Materials Market [XINHUA]	46
Shenzhen Firm in Guangdong To Issue Foreign Exchange Bonds [XINHUA]	47
Japan, Hong Kong Help Build Shenzhen Port Facilities [CHINA DAILY 23 Jan]	47

LABOR

Changes in Pension System Announced [CHINA DAILY 7 Jan]	47
Overhaul of Pension System Planned [CHINA DAILY 17 Jan]	48

TRANSPORTATION

Tianjin Rebuilds Harbor Railway Station [Tianjin Radio]	49
Qingdao-Jinan Railway's Double Tracking Completed [Jinan Radio]	49
Railway Construction Develops in Inner Mongolia [XINHUA]	49

PUBLICATIONS

Publications Director Urges Support of Copyright Law [XINHUA]	49
---	----

AGRICULTURE

Zhejiang Tea Procurement Price [NONGMIN RIBAO 31 Oct]	50
Interview With New Minister of Agriculture [JINGJI RIBAO 13 Nov]	50
October Hog Procurement Prices [JINGJI XIAOXI BAO 5 Dec]	52
Zhejiang Grain Procurement, Price [NONGMIN RIBAO 27 Dec]	53

Anhui Grain Procurement [ANHUI RIBAO 29 Dec]	53
Anhui Rural Savings [ANHUI RIBAO 2 Jan]	53
Guangdong 1990 Harvest [NONGMIN RIBAO 3 Jan]	53
Hunan Cotton Output, Area [HUNAN RIBAO 3 Jan]	53
Development, Prospect of Southern Cropping Systems [ZHONGGUO NONGYE KEXUE No 5]	53
Shanxi Cotton Procurement [JINGJI RIBAO 4 Jan]	53
Commerce Ministry Predicts 'Dynamic' 1991 Pork Market [XINHUA]	53
Anhui's Wuhu City Wholesale Rice Market Opens [XINHUA]	54
Guangdong Raises Aquatic Products Output [XINHUA]	54
Supply of Means of Agricultural Production Improves [XINHUA]	54
Aquatic Production Exceeds Targets of 7th Plan [XINHUA]	55
Plans To Build More 'Fast-Growing Forest Centers' [XINHUA]	55
Experts Call for Intensified Breeding of Fishery Resources [XINHUA]	55
Dec 1990 Import Volume of Cereals, Oils Reported [CEI Database]	56
Pork, Vegetable Production Develops [XINHUA]	56

SOCIAL

Xu Weicheng Urges Socialist Ethics System [SIXIANG ZHENGZHI GONGZUO YANJIU No 11]	57
Sociological Roots of Prostitution Presented [SHEHUI No 68]	62
Application of Criminal Law To Prostitution Urged [HUAZHONG SHIFAN DAXUE XUEBAO No 6]	65
Large Decline Reported in Economic Crime [XINHUA]	70

MILITARY, PUBLIC SECURITY

Reflections on Nature of Future Limited Wars [ZHONGGUO MINBING No 10]	71
Army Aviation Profiled [HANGKONG ZHISHI No 11]	74
MD-82 Production [HANGKONG ZHISHI No 11]	76
Paratroop Force Achievements [HANGKONG ZHISHI No 11]	76
Beijing-Jining Air Route Opens [HANGKONG ZHISHI No 11]	77
Fostering Female Pilots [HANGKONG ZHISHI No 11]	77
Military Strategy of Mao Zedong Praised [JIEFANGJUN BAO 23 Nov]	78
Zhu Chao Discusses Henan's National Defense Reserves [HENAN RIBAO 25 Nov]	80
Versatile Plane Makes Successful Maiden Flight [RENMIN RIBAO OVERSEAS EDITION 12 Jan]	81
Domestic Parachutes Meet World Standards [XINHUA]	81

REGIONAL

EAST REGION

Shandong Targets Illiteracy in 8th 5-Year Plan [XINHUA]	83
Shandong Acts To Eliminate Unjustified Fees [Jinan Radio]	83
Anhui Cadres Urged To Study Socialist Theory [ANHUI RIBAO 15 Jan]	83

NORTHEAST REGION

Nonparty Officials Featured in Government Posts [XINHUA]	84
--	----

NORTHWEST REGION

Xinjiang Official Details Status of Religion [XINJIANG RIBAO 11 Dec]	85
--	----

TAIWAN

Directorate Projects Economic Growth [CHING-CHI JIH-PAO 17 Nov]	87
Editorial Views Exchange Rate, Stock Market, Monetary Policy [CHING-CHI JIH-PAO 26 Nov]	87

HONG KONG, MACAO

Ideological Conflicts Between Two Democratic Groups [PAI HSING No 225]	89
--	----

GENERAL

Western Economies Seen Vulnerable to Oil Crisis

91CM0164A Beijing SHIJIE ZHISHI [WORLD AFFAIRS] in Chinese No 22, 1 Nov 90 pp 16-17

[Article by Yu Kexing (0205 0668 5281), dated 30 Oct 90: "The Gulf Crisis May Bring on a Recession in the West"]

[Text] *The Western economies are at the end of an economic cycle and cannot withstand a severe shock. If the Gulf crisis indeed develops into a serious oil crisis, it will prove disastrous for the Western economies.*

The Gulf region is the most oil-rich region in the world. Sixty-five percent of the world's proven petroleum reserves are concentrated in this area. One-half of the oil consumed by the Western nations is supplied by nations in and around the Gulf region. Since Iraq's invasion of Kuwait, there has been a gap in the world's oil supply, and oil prices have been soaring. On 22 Aug, Great Britain's North Sea Brent crude rose to \$31.05 a barrel and hit \$41.60 a barrel soon thereafter. Soaring crude prices are dealing severe blows to the Western economies. Today, although it is still difficult to ascertain whether it will trigger a recession in the West, one point is certain: If the Gulf crisis should develop into a full-blown oil crisis, it would prove disastrous for the Western economies.

Five Possible Problems

Based on the experiences of the first and second oil crises, if the Western economies should be confronted with a new round of oil crisis, they may face the following five problems:

First, the conflicts in society's reproduction process will heighten, hastening the arrival of a recession. The oil crisis of 1973 led to the 1974-75 recession, and the 1979-80 oil crisis gave rise to the 1980-82 recession. Both recessions were among the more severe in the postwar era.

Second, the price of all petroleum-related products will rise, increasing the rate of inflation. During the first oil crisis, inflation rates reached 11 percent in the United States, 23.2 percent in Japan, 7.0 percent in West Germany, 13.7 percent in France, 15.9 percent in Great Britain, and 19.1 percent in Italy. In the second oil crisis, except for West Germany and Japan, the inflation rates in the United States, Great Britain, France, and Italy all exceeded the level reached during the first crisis.

Third, production structure, consumption mix, choice of technologies, and investment will change. High oil-consumption industries and production technologies will be eliminated. Efforts to find substitute energy resources and petroleum exploitation and exploration will be stepped up, and oil consumption will be restricted.

Fourth, the balance of international payments will be seriously upset. Countries that import large amounts of

oil will have huge trade deficits, and countries that export large quantities of oil will have huge trade surpluses. According to International Monetary Fund estimates, between 1974 and 1981, OPEC members raked up a trade surplus of \$433.3 billion, and the developed countries and non-oil-producing developing nations had trade deficits of \$72.2 billion and \$427.1 billion, respectively. This in turn led to the problem of backward-flowing petrodollars.

Fifth, the international debt problem will worsen, and financial markets in the developed countries will become volatile. In 1979, the developing nations had as much as \$400 billion in foreign debts. The 1980-82 recession brought on by the oil crisis dealt the developing nations a severe blow and greatly diminished their ability to repay their debts. A debt crisis erupted in 1982. Consequently, some banks in the developed countries were left holding huge amounts of bad debts and defaulted loans, resulting in many bank closures.

However, the situation is not as serious at this time. The recent surge in oil prices has not reached the level of the previous two oil crises. During the first oil crisis, oil prices increased 2.87-fold, from \$3.01 to \$11.65 a barrel; and during the second oil crisis, prices also increased 2.23-fold, from \$12.70 to \$41 a barrel [as published]. If we compare the 9 October [1990] price of \$41.60 a barrel to the July price of \$18, it has gone up 1.24 times [as published]. Recently, there was a shortfall of more than 4 million barrels a day in the world oil market, but OPEC members have agreed to increase output to make up the difference. According to an International Energy Resource Council analysis, current world oil supply is normal and no emergency measures are necessary.

The U.S. Economy May Face a Recession

Although the Gulf situation has not yet brought on a third oil crisis, it may very likely land some countries in the quagmire of economic recession.

First, we cannot eliminate the possibility that the Gulf situation will evolve into a large-scale war. If war does erupt, oilfields in Saudi Arabia, Iraq, and Kuwait will certainly come under attack. Tight world oil supply and soaring oil prices will be inevitable. According to World Bank estimates, in the event of a war, oil prices may reach \$65 a barrel. This will worsen inflation in the West, diminish the people's purchasing power, prevent production capital from engaging in reproduction at the original scale, and hasten the onset of a recession. Of course, the eruption of war will lead to an increase in military spending and stimulate investment, which will help slow the recession. But as oil prices soar, this war will not bring wartime prosperity. The Vietnam war of the 1960's occurred before the oil crises, in an era of cheap energy resources, and it worked as an external stimulant and did not hurt the Western economies. The situation surrounding the looming Gulf war today is very different.

Second, the Western economies are now at the end of a economic cycle, and the conflicts in society's reproduction process are slowly intensifying, and they cannot withstand a severe shock. The situation in the United States is most acute. Since its economic recovery in December 1982, the United States has sustained 7 years and 10 months of continuous growth, and it is now at the end of an economic cycle and is losing its growth momentum. The strong personal consumption demand has been waning since last year. Personal consumption expenditures rose 3.6 percent in 1988, but only 1.9 percent last year at constant prices. This year, the situation is even worse: 0.2 percent increase in the first quarter and 0.1 percent decrease in the second quarter. The situation with domestic fixed capital investment is similar: Fixed capital investment rose 5.6 percent in 1988 and 1.6 percent last year at constant prices. This year, it rose 1.8 percent in the first quarter and fell 2.1 percent in the second quarter. Specifically, beginning in the fourth quarter of last year, investment in industrial equipment saw negative increase for three quarters in a row and fell another 3.4 percent in the second quarter of this year. Export trade has been the most important factor in the U.S. economic growth in the last three years, but it too is sagging. The export of goods rose only 12.5 percent last year and 4.2 percent in the first quarter of this year and fell 1 percent in the second quarter.

In the United States, as the main driving force behind economic growth weakens, the conflict between production and consumption heightens, and many economic indicators that reflect economic trends are signaling danger ahead. The composite economic indicator fell two months, rose two months, and was unchanged for two months in the first six months of this year. This forebodes a gloomy economy for the rest of the year. Last year, orders for durable goods were worth \$110.4 billion; in June of this year, they dropped to \$103.48 billion. This signals a decline in demand for durable goods. The enterprise capacity utilization rate was 84.4 percent last June and dropped to 82.9 percent this June. This reflects that enterprises are already feeling the pressure of inadequate demand and are cutting back on production. Last May, the stockpile of industrial and commercial goods was worth \$693 billion; this May, it was worth \$697.3 billion, \$43 billion more. The unemployment rate was 5.3 percent last year and 5.5 percent in July of this year. These figures reflect that commodity capital and the labor force are drifting apart. Meanwhile, the U.S. Government is burdened with a "twin deficit" (fiscal and trade deficits,) and there is not much room for maneuvering in terms of fiscal and monetary policies to stimulate the economy. Under the circumstances, an oil crisis will be like adding frost to snow. If oil is in short supply this winter and next spring, and if oil price should soar, inflation in the United States will get worse. Personal consumption, enterprise investment, and export trade will be curtailed, and it will be difficult to sustain growth. It is likely that economic recession will soon set in.

Situations Facing Other Countries Vary

The economic situations in Great Britain and Canada are gloomy. In Great Britain, after a period of rapid growth from 1984 to 1987, the economy began its downturn in the latter half of 1988, and the growth rate has fallen ever since: The economy grew 4.6 percent in 1988, 2.2 percent in 1989, and only 1.9 percent in the first quarter of this year compared to the same period last year. Inflation is running fairly high, too. The inflation rate in July of this year was 9.8 percent, compared to 4.9 percent in 1988, and was the highest of the West European countries. Its fiscal and balance-of-payment situations are deteriorating rapidly. The budget deficit rose by 26.7 percent last year, topping 6.12 billion British pounds, and the balance-of-payment deficit for recurring items was 3.38 times 1987's, reaching 19.07 billion British pounds, and the British pound is losing strength. To curb inflation, the British Government has raised the interest rate several times since the latter part of 1988; the basic interest rate hit 15 percent at one time. On 8 October, Great Britain joined the exchange rate mechanism of the European currency system, and the basic Sterling interest rate was lowered from 15 percent to 14 percent, but it still ranks the highest among the major capitalist countries. The high interest rate curtails the increase in fixed capital and personal consumption demand and has an adverse effect on economic development. But, in view of the soft British pound and the high inflation rate, it will be unwise to lower the interest rate substantially. Caught in the dilemma, the British economy will not be able to withstand another blow from the outside, and if oil prices should skyrocket, if inflation should worsen, or if the U.S. economy should go into recession, the British economy will not be able to avoid a recession.

Canada's economy saw fairly smooth development between 1986 and 1988, but beginning in the fourth quarter of 1988, economic growth began to slow. The growth rate dropped from 4.4 percent in 1988 to 3.0 percent last year and fell further to 2.2 percent in the first quarter of this year. Canada's most authoritative economic research institution, the Canadian Council, has declared that Canada is in a recession. The most ominous indication was the unemployment rate, which rose from 7.5 percent in June to 8.4 percent in September. Today, the three main elements sustaining economic growth—personal consumption demand, fixed capital investment, and export trade—have all lost momentum. The rate of increase in personal consumption expenditures fell from 4.3 percent a year earlier to 3.8 percent last year and 3.1 percent in the first quarter of this year. Investment in machinery and equipment fell from 18.4 percent the year before to 5.6 percent. As the Canadian dollar appreciates in value, and as the economy of its trading partner, the United States, slows down, Canada's export trade growth has also slowed, from 9.7 percent in the previous year to 2.6 percent last year, and dropping below 1 percent in January, February, and April of this year. Meanwhile, inflation is creeping up, from 5 percent last year to 5.4 percent in the first quarter of this year. To

slow the rate of inflation, the central bank has raised the discount rate to 13.8 percent, the second highest among the developed countries after Great Britain. Such a high interest rate jeopardizes economic development. Meanwhile, Canada's economy is closely tied to the U.S. economy: Two-thirds of the goods produced by its manufacturing sector are for export, and 70 percent of that is destined for the United States. If the United States goes into a recession, it will prove detrimental to Canada's economy.

Currently, things in Japan and West Germany are rosier. Domestic consumption and investment demands are strong; both countries have huge balance-of-payment surpluses, and the economies are still growing fairly rapidly. Japan's economy grew 5 percent last year, and the government has predicted a growth rate of no less than 4 percent this year. The West German economy grew 4 percent last year, and official sources discount any significant change this year. The inflation rates are fairly low and the fiscal situations are sound in both countries. The governments are quite capable of stimulating the economies and fending off a recession. Meanwhile, their oil-consumption-to-GNP ratios are fairly low and can withstand an oil shock better than the others. Today, Japan's oil consumption per \$1,000 GNP is only 1.24 tons, and West Germany's is 1.87 tons, compared to 3.35 tons in the United States. Barring a serious oil crisis, Germany and Japan can possibly avoid a recession. But if the United States should enter a recession, it will have a serious impact on these two countries, and we will have to reassess their economic prospects then.

In short, the Gulf crisis has tremendous impact on the Western economies. It not only can worsen inflation but can hasten the onset of a recession, triggering a change in international economic relations and in the industrial structure.

Impact of Middle East Crisis on World Affairs

91CM0149A Hong Kong MING PAO YUE KAN
[MING PAO MONTHLY] in Chinese No 300,
Dec 90 pp 44-45

[By I Ping (0001 0365)]

[Text] The Middle East crisis touched off by Iraq's annexation of Kuwait has lasted more than three months now. People's attention has been constantly focused on issues such as Husayn's wild defiance of public opinion, the capture and release of the hostages, the possibility of conflict breaking out between U.S. and Iraqi forces, and the effect the oil problem will have on the world economy. At the same time, they often lose sight of the contemporary background and world problems that are behind the outbreak of this crisis.

Everyone knows that, because of the huge progress in the disintegration of the Stalinist cliques in East Europe and the U.S.-Soviet detente, the cold-war pattern of using

U.S.-Soviet postwar dominance and ideological differences as the focal point is in the process of withering away. Merely take one of the major actors in the current Middle East crisis, Saudi Arabia, as an example. Even though it is an anticommunist country, it has successively established diplomatic relations with China and the Soviet Union, the world's two largest communist countries. This shows that the world is heading for a new post old-war period. It is worth noting that, after 40 years of the cold war, its aftereffects will probably flare up in various forms for the next five to 10 years. Dealing with them means thoroughly settling the cold war accounts, and whether the methods used in dealing with them are proper or not will be the touchstone for future international relations. Because of space limitations, we can only expand on the events in the Middle East in our discussion.

First, after the U.S. and Soviet superpowers lost control, local conflicts gradually deepened. Originally, the Middle East was the focal point for world conflict, a region where crises occurred repeatedly. Because of the vigorous intervention of the United States and the Soviet Union, these conflicts ultimately could only become U.S.-Soviet bargaining chips. It is not that way this time. The decline in U.S. and Soviet strength has basically prevented them from controlling the evolution of events. A dominant regional force can crop up suddenly. The reason Iraq has dared to act is because it possesses the largest military force in the Arab world—1 million troops.

We can therefore see a state of affairs, in the wake of the cold war, in which contradictions between regional countries and small and midsized countries will continuously occur. In the Arab region, it was a simple pattern of bipolar antagonism, with the United States and Israel against the Soviet Union and the Arab countries. However, since the time of the Iran-Iraq war until Iraq annexed Kuwait, it has become clear that regional conflicts and the realignment of forces have now become the order of the day.

Second, there has been a shift from U.S.-Soviet antagonism to the United States and the Soviet Union working in concert. Following the outbreak of the Middle East crisis, the United Nations passed a Security Council resolution condemning Iraq's annexation. The Soviet Union quickly agreed to sanctions against Iraq. That the United States, the Soviet Union, and even China have been able to act in unison in a regional conflict is a historical first. Soon afterward, the United States took the lead in dispatching troops to Saudi Arabia and embargoing Iraq at sea. Although the Soviet Union was not against this, it expressed a certain caution. Moreover, the Soviet Union also did not completely withdraw several thousand of its experts from Iraq. Because Iraq definitely has not knuckled under, the stationing of U.S. troops and the embargo will have to be extended.

Extending them until the end of the year will bring the cost to \$6 billion. This represents a heavy financial expenditure for the United States whose economy is already in decline. For its merely having asked for the Soviet Union's involvement and cooperation, the United States has announced that, if the crisis is resolved at an early date, it will coordinate with the Soviet Union on mutual exchanges and will, with the Western alliance, present a large amount of economic aid for the Soviet Union's domestic reforms.

This fully demonstrates that, in resolving future regional conflicts, U.S.-Soviet antagonism has shifted to a new state of cooperation. On the other hand, this also demonstrates that neither the United States nor the Soviet Union has the strength to resolve the major problems of the world independently.

Third, the status of the United Nations has again been recognized. In the past, it was either the United Nations or the United States alone who played the role of "world policeman" (for example, the United Nations sending troops to North Korea) or else it was the two superpowers alone contending for dominance. However, on this occasion the situation is slightly different. Several UN resolutions have passed the Security Council unanimously, in particular, the resolution to carry out an economic embargo against Iraq and the resolution approving the deadline on the use of force. Although the Soviet Union and China oppose the great powers' intervening militarily in the Gulf region, they have not expressed strong feelings against using UN military forces, which are predominantly U.S. forces, in the Gulf. The UN secretary general has also traveled to the Middle East to mediate. This fully demonstrates that in future regional disputes the United Nations can play a decisive role. There already seems to be a common recognition of this among the countries of the world. The problem is that, because of the expense and because UN troops in the past have had only a symbolic significance, it is still necessary when implementing UN resolutions to rely on U.S. strength. This permits the subjective wishes and national interests of the United States to affect the fairness and authority of the United Nations. How to renew the status of the United Nations without strengthening its organizational and enforcement mechanisms is, following the elimination of the cold war, a major world problem.

Fourth, the advanced countries have a legacy of failure in the Middle East. No matter how severely people curse Husayn's shameful dictatorial behavior, the historical reasons for the current Middle East crisis rest squarely with the Western countries' legacy of failure there. In addition to the irresponsible designation of the frontiers of the various countries during the Western colonial period, the fostering of modernization in certain Arab countries by the United States has been a totally worthless failure, for example, in the old Iran and in Kuwait and Saudi Arabia today. It could be said that the problems handed down from the past by the advanced countries will in the future become the direct causes of

disputes in various regions of the world. In the age of the powers, these problems were all suppressed and not properly resolved. But when the powers lose control, these problems inevitably flare up one after another.

This has been a brief discussion of our thoughts on the impact of the Middle East crisis on the future state of world affairs. We sincerely hope that the politicians of the world will use their sense of responsibility to world peace and to future generations to resolve the various crises through mutual consultation and not bequeath additional calamities to the world. Perhaps, on this basis, the current Middle East crisis will open up new and brighter prospects.

People Express Concern at War in Gulf

OW1901182491 Beijing XINHUA in English
1625 GMT 19 Jan 91

[Text] Beijing, January 19 (XINHUA)—Hundreds of millions of Chinese people are deeply concerned about the Gulf war and many of them expressed hope that the belligerent parties will exercise restraint and that peace will be restored as soon as possible.

Morning and evening newspapers are selling rapidly these days in Beijing, while talk about the war is filling the city's streets and buses.

A waitress from a restaurant in the Xidan shopping area today told XINHUA after reading an evening paper, "Although the Gulf is far away, I'm saddened to know that people are bleeding and dying there." After all, she said, war is not a good thing and it should be ended as soon as possible.

Haj Iliyas Shen Xiayi, president of the China Islamic Association, expressed the hope that the Gulf war could stop at an early date.

He said Iraq should withdraw from Kuwait as early as possible and the Gulf crisis should be resolved in a peaceful way.

Ma Yongqiang, a member of the association, said that all countries and public figures that have the capability should continue their efforts to bring peace to the area, prevent the war from expanding and minimize losses.

Passengers at the Beijing railway station crowded all day long in front of a huge electronic screen which displays the news on the Gulf from the XINHUA News Agency.

Xie Enmin, a 60-year-old private businessmen in the Xicheng District of Beijing, said that it is always the common people who suffer the most from war, especially the elderly, women and children.

"The government's appeal for restraint by the parties concerned expresses the attitude of us common people," Xie added.

Li Huaiyin, 58, an employee of the Beijing Department Store, said that he and his colleagues in the office are all

opposed to solving the problem by war. "We oppose the Iraqi invasion of Kuwait and we also hope the war will end as soon as possible and the Gulf crisis could be settled by peaceful means," Xie said.

Soviet, Japanese Ministers Discuss Territories

*OW2301042891 Beijing XINHUA in English
0243 GMT 23 Jan 91*

[Text] Moscow, January 22 (XINHUA)—Soviet Foreign Minister Aleksandr Bessmertnykh ended their two rounds of talks here today with his Japanese counterpart Taro Nakayama on the northern territories issue and Soviet President Mikhail Gorbachev's visit to Japan.

During the talks, Soviet Vice Foreign Minister Igor Rogachev told reporters, Nakayama raised the issue of the "northern territories," which he said are Japanese lands occupied by the Soviet Union after World War Two.

Japan demanded that the issue be settled as soon as possible, as it will determine the normalization of relations in its full sense between the two countries, Rogachev added.

According to the Soviet TASS News Agency today, the foreign ministers also signed a memorandum on Gorbachev's visit to Japan in April.

The memorandum said that Gorbachev will sign 11 documents including the utilization of atomic energy, exhibitions and protection of cultural historic sites when he visits Japan.

Moreover, the two foreign ministers agreed to increase to 30 the number of resident correspondents in the other side from the original 20.

Nakayama arrived here on Monday for a three-day official visit aimed at finalizing preparations for the Soviet-Japanese summit.

NORTHEAST ASIA

Japanese Investment Shifting to Asia

91CM0156A Shanghai GUOJI ZHANWANG [WORLD OUTLOOK] in Chinese No 21, 4 Nov 90 pp 16-17

[Article by Wang Qin (3769 0530): "New Characteristics of Direct Japanese Investment in the ASEAN Countries"]

[Text] Since the mid-1980's, as the value of the Japanese yen has shot upward, direct Japanese investment abroad has increased by leaps and bounds. Direct Japanese investment in the members of the Association of South-east Asian Nations (ASEAN) has expanded rapidly, investment has begun to be targeted at new industrial sectors, and the division of labor among industries within the region has been deeply affected.

Japan Has become the Largest Supplier of Capital for the ASEAN Nations

Direct Japanese investment abroad in the 1960's and 1970's focused primarily upon the developing nations and territories of Asia, with a special emphasis upon Asia's "four little tigers" and the ASEAN nations. In the 1980's, the bulk of Japan's foreign investments shifted to North America (mainly the United States), and the flow of funds to Asia was relatively reduced. Since the mid-1980's, the sharp rise in the value of the Japanese yen, as well as increasing friction in Japan's trade with the United States and Europe, has accelerated the pace of direct Japanese investment abroad, and Japanese investments in Asia (especially in the ASEAN nations) has risen noticeably.

Statistics from Japan's Ministry of Finance indicate that direct Japanese investment in five ASEAN nations (not including Brunei) totaled \$851 million in 1986, and this figure increased to \$1.51 billion in 1987, \$2.713 billion in 1988, and more than \$6.0 billion in 1989. Foreign trade statistics from the ASEAN nations in 1989 indicate that Japan was the top foreign investor in each of those nations that year. As Japanese yen poured in, Japan replaced the United States as the largest supplier of capital for the ASEAN nations in the mid-1980's.

New characteristics of Japanese investment in the manufacturing industries of the ASEAN nations.

In the last half of the 1980's, Japanese investment continued to go primarily to the manufacturing sector, but this investment exhibited some new characteristics.

1. Within the manufacturing sector, Japanese investment has begun to flow to new targets. During the 1960's and the first half of the 1970's, Japanese investment went primarily to the fiber and textile industries, and most of this investment flowed toward Indonesia, Thailand, and Malaysia. As of the late 1970's, all of the synthetic fiber products of Indonesia and Malaysia were produced by Japanese-invested enterprises. In Thailand and the Philippines, Japanese-invested enterprises produced 60.9 percent and 79.1 percent of all synthetic fiber products, respectively. Beginning in the latter half of the 1970's, Japanese investment started to go primarily to steel, shipbuilding, and petrochemicals in (for the most part) Indonesia, Singapore, and Malaysia. Beginning in the 1980's, and particularly in the mid-1980's, the proportion of Japanese investment in the electronics and transport machinery industries increased greatly. The focus of investments in Singapore and Malaysia was in the electronics industry, while most investments in Thailand and the Philippines went to the electronics and automobile parts industries. In Indonesia, a relatively high proportion of investments went to the chemical and textile industries.

2. Investment has shifted primarily to industrial goods manufacturing bases oriented toward exporting and buy-backs. This is very different from the 1970's, when the main target was the markets of the host countries. Due to

the sharp appreciation of the Japanese yen and exacerbation of trade friction between Japan and the United States, Japanese-invested enterprises have rushed to establish export-oriented production bases in the ASEAN nations. One purpose is to take advantage of cheap local labor to increase the competitiveness of their products in the international marketplace. A second purpose is to establish production bases oriented toward exporting to the United States and Europe, thereby avoiding measures taken by the United States and Europe to restrict exports that come directly from Japan.

3. Japanese-invested enterprises in the past generally supplied parts and components from Japan for assembly plants which they had set up abroad. Now, however, they have begun to move parts and components production abroad. Many Japanese manufacturers who invest abroad are now either moving their parts and components production processes abroad or increasing the proportion of locally bought parts and components, thereby localizing the production of parts and components. Many Japanese manufacturers have already organized parts and components distribution networks within the ASEAN region in order to effectively lower product overhead.

4. Japanese investment is gradually going toward higher class industries. Japanese-invested enterprises generally used to be in the labor-intensive assembly and processing industries, but this investment has now begun to shift, and some of Japan's technology-intensive production has begun to be moved to Singapore and other countries.

Investment in Nonmanufacturing Industries Is Growing Daily

Japanese direct investment in the ASEAN nations has always been primarily in the manufacturing sector, while investment in nonmanufacturing sectors has been relatively scarce. Since the mid-1980's, however, as Japan's capital has become internationalized and as nonmanufacturing investments have become the primary form of direct Japanese investment abroad, Japanese investments in nonmanufacturing sectors in the ASEAN nations has increased daily. Furthermore, investment in these sectors has been concentrated mostly in Singapore.

According to statistics, at the end of 1989 there were 1,438 Japanese companies registered in Singapore, of which 1,051 (73 percent) were in nonmanufacturing sectors. Further breaking down this figure, 438 of the companies were engaged in trade and commerce, 184 were engaged in services, 117 were engaged in construction, 104 were engaged in transportation and storage, and 103 were engaged in banking and insurance.

In recent years, Japanese investment in Singapore's banking industry has increased at a rapid pace. At the end of 1989, the number of Japanese banks and their subsidiaries in Singapore stood at 35. This was greater than the number of U.S.-invested banks, which had always been the most numerous up until that time. The total assets of Japanese-invested banks have shot up to the top position among

foreign-invested banks in Singapore, exceeding the total assets of the Singaporean banking industry by more than one-half. Japan's Kogyo Bank, Fuji Bank, Sanwa Bank, and Mitsui Trust Bank have the most assets of all banks in Singapore. Japanese securities firms have been particularly active investors. The four giant Japanese securities groups—Nomura, Daiwa, Yamaichi, and Nikko—have all established agencies in Singapore. Almost all recent Japanese banking investments in Singapore by financial institutions have been made by securities firms.

Japanese investment in Singapore's trade and commerce has been even brisker. Statistics indicate that Japanese capital was invested in as many as 300 trading and commercial firms in Singapore between 1986 and 1989. The most eye-catching investment was the Japanese and Singaporean joint venture for the construction of the International Commodities Wholesale Trading Center, the biggest international wholesale center in Asia, which already opened up for business this past May. Japanese investment in department stores and retailing has also risen continually. Included among Japanese-invested department stores which have opened for business in Singapore are Isetan, Yaohan, Eiko, Daimaru, and Tokyu. Takashimaya will soon build the biggest department store in Singapore.

In addition, Japanese investments in Singapore's real estate and construction industries is expanding. It is reported that Japanese real estate investments in Singapore totaled \$500 million between 1985 and 1989. Singapore has become the main market for Japanese real estate investments in Southeast Asia.

Bringing About a New Division of Labor in Regional Industry

In the 1980's, a new division of labor has begun to appear in the Asian-Pacific region. Japan has become the economic locomotive for Asia, and its industrial structure has been characterized by an orientation for high technology and modern information systems. The industrial structure of the newly industrialized Asian countries and territories which rose so rapidly to prominence in the 1970's has changed, and is now guided primarily by capital- and technology-intensive industries. Thailand, Malaysia, Indonesia, and the Philippines, which began to gain strength in the mid-1980's, are now throwing off their former backwardness. Their industrial structures have begun to shift away from agricultural and mineral products, raw materials, and the processing of primary products, toward primary reliance upon the production of labor-intensive, low-technology products. Since the mid-1980's, the export of huge amounts of Japanese capital to the ASEAN nations and the transfer of some technologies has accelerated the formation of the mechanism of division of labor among different industries, and to the transfer of these industries.

At the present time, Japan is beginning to transfer some technology-intensive industries and production processes to Singapore and other newly industrialized countries and territories in Asia, while it takes the labor-intensive industries and production processes which it had originally set up in Asia's "four little tigers" and is shifting them to four of the ASEAN nations. In addition, Asia's "four little tigers" are also moving their labor-intensive industries and production processes to four of the ASEAN nations. This has led to the gradual formation of a mechanism for the division of labor between Japan (technology-intensive industries), capital-intensive industries, and labor-intensive industries, and a mechanism for spreading these industries. The situation has also stimulated division of labor within the region, particularly a rapid development of a horizontal division of labor. In the latter half of the 1980's, international division of labor developed most rapidly in the electronics and automobile industries, which revolved

around Japanese-invested enterprises. Japanese enterprises have always produced high-tech and high-precision products and components in Japan, while shifting production of technology-intensive products and components with relatively low added value to Asia's "four little tigers" and moving production facilities for primary products and components as well as processing and assembly lines to four of the ASEAN nations, where labor is even cheaper. For example, Japan's Shori Company produces its high-tech electronic products in Japan, produces electronic products with a medium level of technology in its Singapore factory, and produces its primary products in subsidiary plants in Malaysia. Japan's Mitsubishi, which has invested in a factory in Thailand, is already carrying out cooperative production and distribution of automobile components within the ASEAN region, and is manufacturing ASEAN-built automobiles. Japan's Toyota is also developing a plan for joint automobile production with the ASEAN nations.

Spirit of 6th Plenary Session Lags in Some Areas

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[Article by Yi Kesheng (1438 0344 0581), secretary, Qinghai Provincial CPC Committee: "Several Problems in Need of Solution for Thorough Implementation of the Spirit of the Sixth Plenary Session"]

[Text] During the past half year or more, the Qinghai Provincial CPC Committee has truly put a lot of effort into "CPC Central Committee Decisions on Bettering Party Relations With the Masses," for the winning of preliminary results. During this period, several leading comrades of the provincial CPC Committee conducted surveys and studies in the southern pastoral regions of Qinghai, and in the Qaidam Basin, where conditions are harshest. They also twice organized and led government organization cadres to the grassroots to publicize the spirit of the Sixth Plenary Session, to experience and observe public feeling, to solicit opinions, and to help the grassroots solve real problems. This played a positive role in reassuring the public, in boosting morale, in tempering cadres, in improving work style, and in further cementing relations between the party and the masses. The spirit of cadres at all levels and of the masses was aroused; the unity of all nationalities was further strengthened; and rather good accomplishments were made on all fronts. A 2.8-percent increase over 1989 is forecast for grain output, an all-time high; a bumper harvest is in prospect for the livestock industry; industrial production will maintain a definite rate of increase; and both markets and prices will remain largely stable. Practice shows in a profound way that diligent implementation of the spirit of the Sixth Plenary Session holds extremely important significance for genuinely improving party building, for reviving and carrying forward the flesh-and-blood relationship between the party and the masses, and for maintaining political, economic, and social stability.

A fine beginning has been made in implementing the spirit of the Sixth Plenary Session. The issue now is diligent summarization of experiences, overcoming weak links, raising levels, and moving ahead with implementation to provide real solutions for several problems in thought and action:

1. Need for diligent solution to problems in building and perfecting a democratic, scientific decisionmaking process in an effort to make policymaking more democratic and more scientific. During the past several years, we have frequently been anxious about slow work progress and not very large results, as well as much assigning but little checking of work, and much planning but little implementation. I believe a very important reason for this is that the thinking that goes into policy decisions of leading institutions, and the policy mechanism are not in keeping, in an overall sense, with the need to be more scientific and more

democratic. We must also establish a strict policymaking system and policymaking procedures. We are also not adept at applying work methods that "come from the masses and go to the masses," "concentrating and persevering." As a result, insufficient survey and study of the actual situation is done in advance of decisions, and there is no widespread solicitation of views and full discussion in the course of decisionmaking. After decisions are made, there is insufficient feedback of results and inspections for the purpose of supervising and spurring along. The most fundamental way to solve these problems remains education in the mass line and the mass point of view among leading organizations and leading cadres, firmly implanting the point of view that "the masses are true heroes," and the view that "we are responsible to the people for everything." Only by so doing is it possible to consider the interests of the masses and listen to the views of the masses in formulating and carrying out policy decisions to ensure that decisions are correct and that implementation is effective. Otherwise, decisions may be made off the top of the head, and matters handled according to what seems sensible. The results are bound to be divorced both from reality and the masses. The nub of democratic and scientific policymaking decisions is adherence to the mass line, adherence to the test of practice, and adherence to a policy decision method that comes from the masses and goes to the masses. Following the Sixth Plenary Session, when the provincial CPC Committee was drawing up "ideas on implementation" to carry out the Central Committee "Decisions," it followed the mass line, not only listening to the views of agencies at the provincial level, but also hearing the views of each autonomous region, prefecture, and municipality. Not only did it listen to the views of leading party and government comrades, but it also listened to the views of all democratic parties and mass groups. Several provincial CPC Committee leaders also went to Xining, Haidong, Hainan, and to the Xining Steel Plant to hold seminars and hear the views of all concerned. All in all, more than 310 suggestions and reform ideas of various kinds were collected. The "Ideas on Implementation" that finally took shape both reflected and carried out the basic spirit of the Central Committee "Decisions," but were also related to realities as they exist in the province. Efforts were devoted to answering various real questions about which the masses are currently generally concerned. The ideas were quite pertinent and serviceable. They embody a spirit of rectification and reflected the hopes and needs of the broad masses of cadres and the public throughout the province. Everyone supported them, and very great enthusiasm and political consciousness was demonstrated in carrying out the "Decisions."

2. Need to further improve investigation and study. Since implementing the spirit of the Sixth Plenary Session, the practice of investigation and study has been carried forward very greatly. Nevertheless, I feel that two problems still exist with current investigation and study per se that merit attention: First is improved understanding,

and second is extremely close attention to results. Improved understanding means bearing the masses in mind, and thinking about the masses when handling matters, truly regarding the masses as a "teacher." Close attention to results means guarding against making ill-conceived comments when one first takes office, but rather doing a real job of investigation and study, learning theories and thoughts for solving real problems. We suggest that a spirit of seeking truth and a work style of real deeds will necessitate perseverance in investigation and study. Genuine mastery of knowledge and improvement of work skills will require going to the masses and humbly learning from the masses. The results of investigation and study must be emphasized. There can be no doing things in a mechanical way or pretending. The situation of "riding around in an automobile and looking on from behind a window, having a meeting with cadres and repairing to the guesthouse to dine," which grassroots cadres and the masses criticize, must be resolutely reversed. When we transfer cadres to the grassroots this year, everyone will be required to go. They will have to go to peasants' homes, into herdsman's tents, into factory workshops, into grassroots-level stores, and into school classrooms. They will have to share the bitter and the sweet with the masses, and encourage face-to-face, heart-to-heart talks to get good results. When cadres and the masses eat and live together, and they hear again words from the hearts of the masses that they have not much heard for many years, the masses' thoughts and hopes will strike a sympathetic response in the cadres. When many cadres return to their government agency, the masses stuff tidbits from home in their valises as they tearfully say good-bye to each other. After returning to Xining, some cadres always remember the closeness when they stayed together in the countryside from morning to night, and they often want to go back for a visit. Quite a few units made the places to which the first group of cadres went a regular work contact point. Some comrades said with deep understanding that when cadres go down to the grassroots, "four hearts" become "one heart." Conversing with the masses requires a sincere heart, listening to the views of the masses requires a patient heart, helping the masses requires a warm heart, and learning from the masses requires a humble heart. The party and the masses are heart to heart.

3. Need to change government agency work style and increase in work efficiency. The government agency work style and work efficiency problem is, in reality, a political problem. It has a very great deal to do with cementing relations between the party and the masses. Government agency work style has improved markedly in recent years, and work efficiency has risen very greatly. This is the mainstream. By comparison with the hopes of the masses, however, a very great gap remains. Today, the spirit of workers in some agencies is not high, work style is sluggish, there are arguments over trifles in doing work, and work is not done responsibly. In some leading organizations, discipline is lax. People come to work late and leave early, and some even play poker or chess during work hours. In

addition, the problem of a lot of meetings and a lot of documents exists everywhere. The growth of an undisciplined atmosphere causes some CPC members to forget their goal of serving the people wholeheartedly. They talk a lot about individual interests, but they do not talk about collective and the national interests. They talk a lot about getting, but they do not talk much about giving. They talk a lot about enjoying, but they do not talk much about arduous struggle. In the process of carrying out the spirit of the Sixth Plenary session, we must take regard the education of all Party members and cadres in the goal of wholeheartedly serving the people, truly improving the work style of government organizations, and improving work efficiency as an important link in cementing relations between the party and the masses. We must educate party members and cadres to carry forward the spirit of arduous struggle, to carry forward the spirit of pioneering and forging ahead, and to carry forward the spirit of public servants in doing things for the people to establish among the masses a fine image of "doing real deeds, honesty, impartiality, and making a contribution." Special emphasis should also be given to beginning with the standing committee of the provincial CPC Committee, and from provincial CPC Committee agencies in improving the work style of government organizations. For myself, I frequently take the statement of Chairman Mao that "we must maintain the zeal, the revolutionary ardor, and the death-defying spirit of the revolutionary war period to carry the work of the revolution through to the end." In day-to-day work and daily life, I also frequently compare myself with the revolutionary older generation, with those who worked under arduous prospecting for petroleum in the Qaidam desert in the past, and with the grassroots cadres who have worked for long years in rural villages and pastoral areas, deriving from this the inspiration for my own spirit of maintaining and developing arduous struggle, and carrying forward a fine work style of close relations with the masses.

4. Need to diligently study Marxist theory. There have been several fairly large-scale full party indoctrination campaigns in the history of our party, two of which generated a tremendous effect on the building and development of the party. The first was the Yanan rectification period, when the entire party studied Leninist theory and systematically exposed and criticized the "leftist" dogmatic errors of Wang Ming, which brought about a major change in the understanding of the whole party and in the building of the party. The second time was the launching in 1987 of the great discussion of the standard for truth, criticism of the idealism and metaphysics of the "two whatevers," and revival of the party's ideological line of seeking truth in facts, a second great leap thereby occurring in our party's level of understanding. Practice has fully demonstrated that the most important thing in good party and state leadership is putting leading cadres' methods of thinking on the right track. This is a fundamental measure for ensuring that our party's leadership is correct and scientific, and for

ensuring victory in the revolution and in construction. As a result of the political disturbances of 1989, we more profoundly realize that only through unflagging and persevering study of Marxism and Mao Zedong Thought, and study of the works of Comrade Deng Xiaoping can we increase our ability to distinguish right from wrong to adhere to a correct political orientation, and can we maintain unanimity with the CPC Central Committee in ideology and in action during critical junctures. Following the Fourth Plenary Session of the 13th party Central Committee, the CPC Central Committee took firm grip on the theoretical indoctrination of cadres, setting very strict requirements and earnestly practicing what was preached. Politburo committee members and secretaries in the Secretariat studied philosophy once or twice each month. By comparison, the study of theory by members of the provincial CPC Committee Standing Committee was not regular enough. A system existed, but it was not adhered to, and planning was done but not really carried out. Consequently, emphasis must be placed on theoretical study. Both study by leading cadres at all levels and self-study must be given serious attention. Emphasis must be placed on

study and the summarization of experiences that is linked to raising the level of leaders, and a change in world view that is linked to a rise in the quality of leaders. Unflagging attention to the study of theory can serve to ensure that leadership authority at all levels is truly in the hands of those who are loyal to Marxism, wholeheartedly serve the people, and are closely linked to the masses.

By way of genuinely implementing the spirit of the Sixth Plenary Session, the provincial CPC Committee used attention to regular supervisory and stimulative inspections for the recent reorganization of seven touring inspection teams, which have been sent to various places to perform work. The provincial CPC Committee is determined to regard continued thorough implementation of the spirit of the Sixth Plenary Session as an important matter. It will unflaggingly play close attention, emphasize realities, and emphasize results to win the confidence of the people, and to bring relations between the party and the people into complete harmony, and as close as flesh and blood.

NATIONAL AFFAIRS, POLICY

Price Bureau Chief Discusses Prices, Price Reform

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[Article by Cheng Zhiping (2052 5268 1627): "The Current Price Situation and Problems in Deepening the Price Reform"]

[Text]

I. The Current Price Situation

Since the beginning of this year, the situation in China has remained stable politically, economically, and socially; the national economy has continued to develop in the right direction; and the rate of price increases has been relatively low throughout the country. According to data from the State Statistical Bureau, the national retail price index rose 3 percent in the first half of this year as compared with the same period last year, and it is estimated that the rise for the whole year will be under 10 percent. The greatly reduced rate of price rises is a major sign that the country's economic improvement and rectification and deepening reform have achieved remarkable success.

The relatively low rate of price increases since the beginning of this year is attributable mainly to the following: 1. The contradiction between total demand and total supply has been alleviated somewhat. According to an estimate by a concerned department that compares the first half of this year with the same period last year, total domestic demand increased by 3.4 percent, but the total domestic supply increased by 6.6 percent. 2. Increases in market prices of decontrolled commodities have been restrained. The state originally estimated that in the first half of this year spontaneous price increases would push up the general price index by 2.5 percentage points, but the actual rise was less than 1 percentage point. Affected by the sluggish market, the prices of some durable consumer goods have actually declined. 3. This year the state has readjusted some commodity prices in a planned way, but, due to sluggish sales, the effects on the market are not yet completely known, and some commodities are actually selling at lower than state-fixed prices. According to initial estimates, computed by the cost-push method, price readjustments made by the central and local governments should push up the general price level by 5.7 percentage points this year. However, as of May, the available data showed only a rise of 1.8 percentage points. 4. After the readjustment of exchange rates, commodity imports have dropped, and, as the price floors abroad have also dropped somewhat, the market-regulated foreign exchange rates have not gone up. The impact of readjusting exchange rates on market prices has reached only 70 percent of the original estimate. 5. Because inflation

has been curbed, and because there was a bumper grain harvest this summer, the prices of grain, aquatic products, and so forth on the open markets are all lower than in the same period last year, and, on the whole, commodity prices on the open markets have dropped about 5 percent from the same period last year. This alone has brought down the general price level nationwide by 1 percentage point, a phenomenon that has not occurred for many years. To be sure, even though grain prices on the open markets have dropped by 8 percentage points this year compared with the same period last year, last year's prices rose by 38 percent compared with the year before; thus, putting the two together, grain prices on the open markets still have increased by a rather large margin. Therefore, growing grain remains attractive to the peasants. 6. The delayed effect of last year's price rises on this year's prices is relatively small. In the first half of this year, the average national price level rose by more than 2 percentage points, as compared to 18.5 percentage points in the same period last year.

Some comrades say that the current sluggish market offers an excellent opportunity for price reform. We have adopted some appropriate measures in the first half of this year. We have increased the purchasing prices for cotton, oil-bearing crops, and sugar crops; increased the producer price of crude oil; increased transportation rates for freight shipped by rail and water; increased the prices of detergents and soaps; expanded the pricing authority of commodity import agencies; and granted special approvals to local governments for price increases, and so on. In the first half of this year, the state granted an average of more than 10 such special approvals each month. Within their specific authorities, local governments also successively increased some obviously unreasonable commodity prices and service charges. However, price reform as a whole has continued to move forward in a positive and safe manner. At present, because some deep-seated problems and contradictions in national economic operations have not been fundamentally solved, and because some commodities are slow-selling in the market, state revenues are decreasing, and an increasing number of enterprises are losing money. This adversely affects the income of some workers and staff members and taxes the tolerance of all concerned. Under the circumstances, proceeding from the need to maintain overall stability, we can only concentrate our efforts to solve some particularly unreasonable price problems. It is not practical to push too hard for overall price reforms.

Some people in the West say that China has called off its price reform as well as its economic restructuring as a whole. That is not true. At present, the enterprise management contract responsibility system is being improved continuously; the rural contract responsibility system with remuneration linked to output is also being improved further; and the national policies of reform and opening to the outside world remain unchanged. In the area of price reform, in the first half of this year, in addition to readjusting the prices of some mineral products, the state

expanded the pricing authority of commodity import agencies, prohibited the practice of regional blockade on prices, and began to change the pricing system for some capital goods from dual-track to single-track. These measures have produced fairly good results in promoting production, insuring supplies, controlling subsidies, and deepening reform. All this indicates that reform has not been called off, but is moving forward according to the established course and basic principles.

Although the general price level has remained relatively stable in the first half of this year, there are some problems which merit attention. Service charges in large and medium-sized cities are rather chaotic and lack strict control. They have increased by 15.4 percent over the same period last year. Owing to abnormal weather conditions and other reasons, the prices of popular vegetables rose too fast in some cities in March and April. Presently, in a few places it is difficult to sell hogs and grain, and the state's purchasing prices for hogs have dropped considerably. Price control remains very weak in rural areas, and prices are rising quite rapidly. In the first half of this year, the rural retail price index increased 4.6 percent. There is a lack of smooth channels for circulating manufactured goods in rural areas, and the phenomenon of unjustified price hikes is quite serious in some places. Serious efforts are being made to solve these problems.

How, then, is the price situation going to develop in the second half of this year? This question should be analyzed in two parts. On the one hand, the achievements of economic improvement and rectification will continue to be consolidated and developed; industrial production will continue to increase; and the sluggish market will gradually turn around. But, on the other hand, there are still a lot of difficulties in the course of economic development; contradictions that have accumulated in the economy over the years remain unresolved; and it will take time for the economy to improve in an all-round way. At present, readjustment of the industrial structure and the product mix is progressing slowly; finished industrial products are piling up in warehouses; the economic efficiency of enterprises is low; the state is facing financial difficulties; and because the sluggishness of the market is only structural, the supply of some commodities still falls short of demand. There are destabilizing factors in the national economy, and the foundation for price stability is rather weak. It will take a fairly long time to solve these problems, particularly the readjustment of the industrial structure and the change of the economic growth mechanism. Therefore, the difficulties will remain for some time, and we should affirm our achievements, strengthen our confidence, face up to the difficulties, and continue to forge ahead.

The guiding principle for price work in the second half of this year is still to give consideration to both price stabilization and economic growth. The price policy remains focused on strictly controlling price levels, appropriately readjusting the price structure, vigorously rectifying price order, strengthening price management,

and continuing to deepen price reform. It is necessary to combine rectification with reform and control with guidance. Today, price stability has become an important sign of social and economic stability. We should first maintain basic price stability and, on that basis, deepen price reform step by step. In the second half of this year and for some time thereafter, we can only solve outstanding price problems gradually, and should not be overanxious for quick results. The key to China's economic development lies not in speed, but in stability. So long as we can maintain steady growth, our gross national product will double again in the 1990's, and our goal of quadrupling our GNP before the end of the century will be achieved. We should look at problems from all angles, put the stress on stability, and look far ahead. Price increases have been fairly small in the first half of this year, but that does not mean we can go ahead and reform the pricing system thoroughly in the second half of the year. We should strive to keep the rate of retail price increases under 10 percent for the whole year.

II. Problems in Deepening Price Reform

To deepen price reform, we must continue to implement the principles and policies adopted since the Third Plenary Session of the 11th CPC Central Committee and, on the precondition that national stability is protected, work step by step with proper leadership.

1. Implementing the principle of combining the planned economy with market regulation. This is a principle which should be adhered to for a long time to come. Prices should be determined in a coordinated way by both the planned economy and market regulation. First, both planned and market prices should respect the law of value and be based on value. State-fixed and state-guided prices should be in keeping with economic laws and reflect commodity production costs and changes in market supply and demand, and market-regulated prices should be restrained by macroeconomic regulation and control. Second, to meet the need of a socialist planned commodity economy, there should be three forms of prices, namely state-fixed, state-guided, and market-regulated prices. These three forms of prices should coexist for a long time, and their proportions can be readjusted from time to time, as the situation changes. Prices can also differ from area to area. For example, there should be more market-regulated and state-guided prices in coastal areas and special economic zones than in the interior and other areas, and more state-fixed prices in the interior and other areas than in the coastal areas and special economic zones. Third, the various forms of prices are both related and different. The prices of different products can have different forms. Commodities of vital importance to the nation's economy and to people's livelihood should have state-fixed prices; relatively important agricultural products and manufactured goods should have state-guided prices; and ordinary commodities, small commodities, and rural fairs should have market-regulated prices. Some commodities

can have both "fixed" and "nonfixed" prices. For example, the producer price of coal from state-controlled coal mines can be gradually unified, but small coal mines operated by towns and townships should not be asked to follow unified planned prices. Contract grain purchasing prices should be unified, but control over grain prices at rural fairs should be relaxed to a suitable degree. Rigid control of all prices is not in the interest of national economic development. Finally, state-fixed prices should not be divorced from market conditions, and sometimes it is also necessary for the state to intervene in market prices. We should proceed from reality, adhere to principle, and deal with different situations flexibly and in different ways.

2. The focus of price reform. In the past decade, price reform has put greater emphasis on agricultural products. Now contradictions in the prices of capital goods have multiplied, particularly with regard to planned prices for coal and petroleum, which are too low, and an increasing number of enterprises are "living off their past gains" and lack the strength to grow. This state of affairs has already seriously affected the continued, steady, and coordinated development of the national economy; it must not be allowed to continue. Therefore, while price reform continues to support agriculture, its focus from now on should shift suitably toward the prices of major basic means of production. The profit rate on capital of industrial enterprises should be reduced if too high and increased if too low, so that it will be brought gradually to the average level or close to it. At the same time, consideration should be given to market supply and demand and policy objectives, and reference should also be made to international price relations. Of course, if agriculture is to achieve a new level of development, it also requires the support of appropriate price measures. But, more important, it should rely on improving the system of household contracted responsibility with remuneration linked to output, development of preproduction and postproduction services, scientific and technological progress, and moderately large-scale operations. The prices of agricultural products are restrained by the state's financial tolerance and cannot be increased too quickly. What can be done is mainly to properly readjust the price relations among agricultural products so that they can gradually become more rational.

3. The dual-track pricing system for means of production. We should give a specific meaning to the dual-track pricing system. It refers to two prices for the same means of production produced by state-owned enterprises, one for items covered by the state plan and another for those outside the state plan. We should not regard all commodities having two prices as being under the dual-track pricing system. Some products, such as grain, must have two forms of prices, the contract purchasing price and the market price, and should not have only one price, just the state-fixed price or the market-regulated price. The dual-track pricing system for means of production cannot be immediately abolished and replaced by a

single price, nor can it be allowed to continue indefinitely without solution, which is not an economic problem, but a political one. The dual tracks should be "merged" gradually, in a positive and safe manner. Because the dual-track system is the result of the effects of many factors in the process of economic operations and is restricted by the established forms of economic operations and complicated interest patterns of all concerned, a solution requires many sides to adopt coordinated measures, and it will take time. Here is a tentative idea: We should gradually abolish outside-state-plan prices for important energy and raw and semifinished materials, such as coal under unified control, crude oil, major metallic and nonmetallic minerals, and so forth, that are of vital importance to the national economy and the people's livelihood, whose production and management are monopolistic in nature, and that have long been in short supply, and merge them into the planned prices. Prices of products whose supply and demand are basically in balance and that are distributed under the state plan only in small proportions should be decontrolled and allowed to merge with market prices. Vigorous efforts should be made to create conditions for gradually merging dual-track prices, product line after product line. Where conditions for merging the two are not suitable, measures should be adopted to gradually narrow the gap between them and check their negative effect. In merging outside-state-plan prices into planned prices, consideration should be given to cost, profit, taxes, state policy goals, and market supply and demand.

4. The question of raising funds for capital construction by extra price increases. Price readjustment can only shift value and generally cannot create value in a short period. Therefore, funds for capital construction should not be raised through extra price increases. Recently, some industrial departments have consecutively asked for permission to raise capital construction funds through additional price hikes for products of enterprises under their jurisdiction. This practice goes against objective economic laws. It will reduce state revenues, expand the scale of capital construction, increase enterprise costs, push prices upward, disturb the normal progress of the price reform, and undermine the mechanism regulating national income redistribution. It is extremely harmful to the coordinated development of the economy. The raising of development funds can only be a special measure adopted for a few basic products with low state-fixed prices, and the types and quantities of products involved should be approved only by the State Council. For example, increasing the electricity rate by 0.02 yuan per kilowatt-hour to raise funds for power construction, approved by the State Council in 1988, and the addition of 1 yuan to the producer price of coal for the coal development fund, approved by the State Council recently, will help speed the development of the energy industry. It will not do for all trades and industries to raise funds by increasing prices. Price hikes for fund-raising now in progress without State Council approval must be reviewed and called off.

5. The relationship between domestic prices and international market prices. Because of differences in national conditions, the level of economic and technological development, and ownership systems, domestic prices can neither be completely "separated" from nor "aligned" with international market prices. For example, although primary energy products such as coal and petroleum are in short supply, consideration should be given to our backward processing technology and high energy consumption, and our domestic energy prices should be kept lower than international market prices in order to increase the competitiveness of our energy and processed energy products in the international market. In view of the fact that China's coal resources are abundant, but petroleum resources are relatively limited, the prices of finished oil products should be set near international market prices, but coal prices should be kept relatively low in order to help conserve scarce resources. The selling prices of imported chemical fertilizers should be linked to grain prices in order to promote agricultural development. A reasonable ratio should be maintained between the domestic purchasing prices of export agricultural and sideline products, which use farmlands, and the prices of grain, cotton, and other major agricultural products, in order to prevent excessive occupation of grain fields. When the gap between prices at home and abroad becomes too wide, it can be regulated by taxation and other means. In short, prices should be arranged such that they will contribute to economic development and to opening to the outside world, developing the domestic market in a better way, making better use of the international market, and achieving greater successes in developing China's economy.

6. The price management system. Since the beginning of economic restructuring, some price management powers have been delegated to lower levels, and price control has been relaxed considerably. This has produced very good results in liberalizing and invigorating the economy. On the other hand, however, some areas and departments, proceeding from their own interests, have become increasingly enthusiastic for price hikes. How can we not only ensure the coordinated and steady development of the whole national economy and also help utilize the enthusiasm of localities and departments? This is an important reform question that requires in-depth investigation and study. Prices of important commodities, which concern the overall situation, should be managed by the central government; prices of commodities produced and marketed locally should be managed by local governments; and intra-industrial prices should be managed by the departments concerned. Efforts should be made to maintain what is good, eliminate what is bad, and allow each to play its role. Another important task in improving price management is to bring price management in line with the legal system and speed up the drafting and enactment of the "price law."

7. The economic environment for price reform. Practice has proven that, for price reform to succeed, it is

imperative to keep price increases within a relatively small range that is acceptable to all concerned. Whether the general price level can be kept basically stable and under control depends on whether there is a fairly good economic environment. Therefore, it is necessary to continue to strictly control the amount of currency in circulation, curb the scale of capital construction and the excessive growth of consumption funds, and speed up the readjustment of the industrial structure. It is also necessary to improve economic efficiency, strive for a balance between revenues and expenditures, continue the in-depth reform of enterprises, gradually develop a self-restraining mechanism for enterprises, and enhance enterprises' ability to absorb the rising prices of primary products. We should continue to foster the spirit of selfless dedication, hard struggle, and plain living. "Consumption without the ability to pay" should be discouraged. The masses' living standard should be improved gradually, based on improved economic performance.

8. Coordination of reforms. Prices are a general reflection of national economic development. Price reform must be conducted in coordination with reforms in planning, materials management, wages, finance, taxes, banking, enterprise management systems, and so forth. It should be pointed out that price and tax reforms in particular should be synchronized. Without coordination between these two, it will be difficult to carry out any reforms, and even more difficult to make prices more reasonable. With regard to raising interest rates, changing exchange rates, increasing taxes, reducing price subsidies, and other economic measures, which will push prices up and cause changes in the price structure, the various departments concerned should all consult the price department in order to consider the interests of all concerned and strike an overall balance.

So long as we act according to the plans of the party Central Committee and the State Council, closely rely on the masses, work conscientiously for economic improvement and rectification, and gradually deepen price reform and supporting reforms in other areas, our national economy can surely overcome the current, temporary difficulties and achieve better results in its continued, steady, and coordinated development.

FINANCE, BANKING

Reforming the Price Subsidy System

91CE0163A Chongqing GAIGE [REFORM] in Chinese
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[Article by Feng Lixin (7458 4539 2450) and Gao Yunzheng (7559 0061 2973): "A Discussion of Reforming the Price Subsidy System"]

[Text]

Questions Raised

Although improvement and rectification has achieved preliminary success, the current economic situation is still not bright, and financial conditions have grown even

more severe. The market has been sluggish for a year and has not taken any clear turn for the better. Enterprises' economic results are continuing to decline, and their costs are constantly rising. In the first quarter of this year, the costs of comparable products of industrial enterprises owned by the whole people and that are in the budget increased by 6.5 percent over the same period last year. The irrational industrial and product structures, as well as the consumption structure, have not been fundamentally readjusted. Various chronic maladies in the economic system have not yet been eliminated. Within this big climate, even though the major plan for reforming the financial system has been introduced, it is still very difficult to achieve the goal of raising the two proportions. In order to further promote improvement and rectification and realize a fundamental turn for the better in the financial and economic situation, it is necessary to make the greatest effort to genuinely balance financial revenues and expenditures and smoothly pass through the peak debt repayment period, which will last throughout the entire Eighth Five-Year Plan. Based on the premise that the goal of raising the two proportions will not change, currently the relatively feasible choice for achieving a financial balance is to enhance the reform elements, seek a way out by readjusting the structure of budgetary expenditures, and resolve the problem of too many financial burdens.

At present, the biggest problem with budgetary expenditures is that the budget's expenditures for price subsidies and enterprise loss subsidies are growing too fast. The emergence and sharpening of price subsidies and enterprise loss subsidies is directly related to the irrational price system and to the reciprocity between the purchase and sale prices. Enterprise loss subsidies result mainly from irrational prices. Last year, price subsidies and enterprise loss subsidies amounted to more than 100 billion yuan, equivalent to one-third of that year's state revenue. In addition, there were also many subsidies due. Because the state has not yet issued the subsidies it should have issued, and because of other reasons, currently the accumulated amount of subsidies due in all industries is 50 billion yuan. Of this, the subsidies due the agricultural sector are estimated at 10 billion yuan for 1989. In recent years, financial subsidies have grown by a large margin, far above the growth rate of financial revenues. In 1989 price subsidies and enterprise loss subsidies were nearly eight times those of 1978. In the commercial and trade sectors, price subsidies for food and non-staple food products increased on average by 21.2 percent annually from 1986 to 1989. Yet during the same period, financial revenues grew on average by only 7.2 percent each year. Such a fast rate of growth of financial subsidies is an important cause leading to the imbalance between financial revenues and expenditures.

This is a crucial year for improvement and rectification. Keeping the social economy stable is surely the overriding, primary task. However, stability is not equivalent to abandoning the reform and perfecting of the irrational price subsidy and enterprise loss subsidy systems. We

believe that it is feasible to achieve stable prices in the short run by using financial subsidies and imposing price controls. But it is impossible to carry it on in the long run, because the cost will become ever larger. It appears that the more subsidies increase, the more the risk of and extent of price increases will grow. In 1989, financial subsidies increased by 27.1 percent over 1988 levels (excluding subsidies due). But the increase in society's general retail price index of commodities in 1989 was still as high as 17.8 percent, which was only a decrease of 0.7 percent over that of 1988. In 1990, subsidies in the annual financial budget amount to 106.3 billion yuan, an increase of 9.29 billion yuan over 1989. Although subsidies only increased 9.5 percent, which was less than the increase of 27.1 percent in 1989, the amount and extent of enterprise losses will increase because of the depressed economy and the sluggish market. By the end of the first quarter of this year, industrial enterprises within the budget already faced losses of 35 percent. In addition, governments at all levels have had to use subsidies to restrain price hikes. It seems that there is a great possibility of a breakthrough in the amount of budgetary subsidies and of an increase in subsidies due. All of this will severely affect the financial balance. Thus, the time has come when reform of the price subsidy system is inevitable.

Currently many people maintain that we should reduce financial subsidies by readjusting prices, especially grain prices. However, they also worry that readjusting grain prices will produce a chain reaction on prices and affect the stability of the social economy. We think that such a worry is unnecessary. First, although macroeconomic austerity and readjustment has not been fully implemented, the austerity and readjustment policies are definite. The effective double tightening policy has already controlled and will continue to control the extent of price increases. Second, residents' current savings and consumption behavior indicate that they have already established the thinking that things will be tight for several years. Many ordinary people believe that grain prices should be readjusted. Propaganda efforts in the recent past have produced some effects. Third, agriculture's bumper harvests over the past two years have provided a relatively solid foundation for price readjustments. The state has sufficient grain reserves to deal with any sudden event. Fourth, market grain prices are declining. Thus, the pressure and extent of increases in the planned purchasing price has been reduced. According to price statistics reported by 245 grassroots markets nationwide, at the beginning of April the average market price of six kinds of grain products was 100.7 yuan per 100 kg, a decrease of 0.98 percent over the previous month's average of 101.7 yuan. This is an unprecedented phenomenon for a period when the new crop has not been received. Fifth, presently the price of grain used by industries and the price of non-staple food have been released. Thus the effect of a chain reaction caused by readjusting grain prices will not be very big. Sixth, current price reforms are based primarily on adjustments, and combine adjustment and release.

Grain prices in particular will be adjusted by the state in a planned and controlled manner. The major purchase and sales channels, as well as the fixed distribution system will not immediately change. Thus, as long as all propaganda work is conducted well, there will not be any large upheaval. Judging from this, we can currently introduce some measures to adjust grain prices and reduce subsidies. We should not lose this opportunity: it will not come again. Basic Ideas for Reforming the Price Subsidy System

In view of the problems with the financial subsidy system and its reform, we think that the reform of the price subsidy system should observe the following important principles: 1. The principle that equity and economic effects are equally important. We must change the fashion of egalitarianism and "eating from the same big pot" and truly use subsidy policies as a means of special financial policy. We must pay more attention to the economic and social results of subsidies, and try to use a relatively small amount of subsidies to maximum effect. The basic measure of the effectiveness of subsidy policies can be how well subsidies alleviate the problem of unfair social distribution. 2. The objective requirement that subsidy policies meet the law of value. Using large subsidies to hold down local prices violates the law of value. 3. The principle of unified coordination. Reform of the subsidy system will surely bring about changes in the structure of national income distribution. It will involve all sorts of interests, and we cannot be successful by relying only on financial reform. Past experience proves this point. Therefore, price adjustments must be combined with wage reform, perfection of the individual consumption structure, and with improvement of the social welfare system. 4. The principle of productivity. We must change current price subsidies which mainly subsidize the sales segment. We should use subsidies to subsidize the production segment.

Based on the aforementioned principles, we put forward ideas for reforming the current price subsidy system.

First, resolutely reduce prices of some commodities that rose too fast or too high in the past. Strengthen management of market prices, squeezing out the irrational elements in some price increases and making the necessary room for reforming the price subsidy system. In this way we can avoid a situation in which society's general price index surpasses its anticipated target because of subsidy adjustments. Overall price stability will be unaffected. At the same time we can, to some extent, resolve the problem of the sluggish market sooner. As long as enterprises can sell their products, we can reliably guarantee the growth of financial revenues. Although current finances are short of revenue, this will be offset in the end.

In the past few years, severe inflation occurred because the macroeconomy was out of control, price management was relaxed, and national income exceeded distribution. The prices of many commodities were much

higher than their actual values. The state can clearly order that these prices be continuously restrained. These commodities include electronic home appliances, such as color televisions, washing machines, refrigerators, and other durable consumer goods. In addition, the prices of many clothes and textile products that are closely related to people's lives are rather high. As macroeconomic regulation and control have been enhanced, ending the battle for raw materials, the prices of some raw materials for making clothing have dropped sharply: examples are sheep's wool, leather, and so on. At the beginning of this year, quality leather jackets sold for more than 500 yuan in Beijing's markets. The stock price was, at most, no more than 75 percent of the sale price. If we can strive to check the phenomenon of blindly handing out bonuses and material rewards, which has not yet been really stopped, and if we manage enterprises' costs well by strictly controlling the extent of cost expenditures, these efforts will have an active part in stabilizing some of the commodity prices that have been kept down. The decline in some commodity prices will provide favorable conditions for reforming the price subsidy system.

Second, reforming the grain price subsidy system should involve such methods as reducing quotas, increasing sale prices, widening commodity grades, and subsidizing the poor. Along with the economic development and the progress of reform in recent years, the incomes of residents in cities and towns have increased by a relatively large margin. In 1981, the average family income for living expenses for residents in cities and towns was 456.84 yuan (according to a sampling survey). In 1989, this figure rose to 1,261 yuan, an increase of 176 percent. In the same period, the share of living expenses spent on grain consumption did not rise, but rather dropped nearly 50 percent. The share of living expenses spent on non-staple foods remained relatively stable, with little fluctuation. This indicates that adjustment of the consumption structure has lagged behind the income growth. Such a situation is irrational. Because currently the structure of people's food consumption has changed greatly, the amount of grain consumed directly (purchases of grain and cereal products) has decreased, while the amount of grain consumed indirectly (through meat, milk, eggs, poultry, liquor) has increased. This has resulted in a large surplus of food coupons. Because financial subsidies give grain coupons real value, grain coupons can be used as a second currency in rural markets, and may be exchanged for all kinds of commodities. This makes it convenient for lawless persons to illegally buy grain at subsidized prices. Currently a large quantity of surplus grain coupons are held by resident. Judging from this situation, we think that residents' current average grain ration of 15 kg per month can be reduced by 2.5 kg. If we calculate the population that receives grain rations at 210 million, then we can reduce the amount of grain supplied at subsidized prices by 6.3 billion kg. At the same time, we can take measures to collect certain grain coupons from residents in cities and towns when they purchase meats, milk, eggs, and poultry. Thus the surplus grain coupons accumulated

over the past few years can be recalled. For a period, these financial subsidies will return to the state. Thus we can raise the economic results of financial subsidies and can avoid having speculators obtain large amounts of financial subsidies.

Following the increase in income of residents in cities and towns, we can raise the price of rationed grain by 0.6 yuan per kg, based on the current price. Then we can adopt a method to differentiate between various income levels and treat them differently. High-income groups will receive no subsidies, middle-income groups will receive some subsidies, and low-income groups will receive more subsidies. Even if we do not provide subsidies, each person's expenses will increase by only 7.5 yuan, based on a per capita grain consumption of 12.5 kg per month. If we add another 0.55 yuan in expenses due to price increases for 250 kg of subsidized, edible oil per person per month, the total additional expense will be 8.05 yuan per person. The majority of families can endure such expenses.

For families whose monthly per capita living expense income is low, we can solve the problem by increasing wage subsidies. The amount of the wage subsidy is determined according to each family's monthly living expense income. We should differentiate between families with different income levels. For example, for families with incomes under 50 yuan, the amount of the subsidies is determined by the amount of the price increase. For those with incomes between 50 and 60 yuan, the amount of the subsidies is equal to one-half of the price increase. For those with incomes between 60 and 80 yuan, the amount of the subsidies is equal to one-third of the price increase. For those with incomes above 80 yuan, there will be no subsidies. In this way, subsidies are distributed as fairly as possible, and the masses can accept such an arrangement. Once the standard for subsidies is set, it must be reappraised and readjusted every six months. For verification, residents must hold certificates issued by their work units. Employed personnel who do not belong to any work unit can go to neighborhood committees or industrial and commercial departments to apply for certificates. If the situation indicated on the certificate is not consistent with the actual situation, the person holding the certificates, as well as the unit issuing them, will be fined an amount equal to 10 times one year's subsidies. The leaders of that unit will also assume responsibility.

Third, ideas for reforming other aspects of price subsidies are as follows:

A. Subsidies for non-staple foods, such as meat, milk, eggs, poultry, and vegetables, cannot be eliminated overnight. Yet if we do not have reform in this area, the subsidies will progressively increase by large amounts, because the population in cities and town will increase by 1.5 percent each year, and the amount of subsidies will also increase correspondingly. In a few years this accumulated amount will be a big figure. Thus, we propose adopting a method which gradually readjusts

and reduces subsidies to the business segment. We can use this portion of subsidies as production development funds and handle the vegetable project well. This is because developing production can increase output, which is a fundamental measure for restraining commodity prices. It is also much more active than subsidizing the business segment. In concert with this readjustment, we should actively readjust the meat production structure. We should gradually reduce pork production, which consumes a lot of grain but has a low feed conversion rate. If every person in China's cities and towns eats an additional 0.5 more kg of pork, grain consumption will increase by more than 500 million kg. This is very uneconomical. Thus we should encourage development of meat production that has low grain consumption, such as in the aquatic products industry and in livestock farming on grasslands.

B. We should seriously and thoroughly clean up and rectify the commercial and catering sectors, especially departments that engage in the grain and edible oil business. Among these departments are many "mice" who specialize in sucking profits from the state. On the one hand, they deceitfully obtain subsidies in every possible way. They live on state subsidies and do not work hard to enhance their business management. On the other hand, they take advantage of business conditions and try every possible means to gain benefits from collectives, farmers, and residents in cities and towns. Therefore, a very strange phenomenon appears. Enterprises that face deficits have more bonuses and higher buildings. Vegetable prices at state-owned vegetable stores are higher than at private vending stalls. In Beijing, the volume of vegetables sold by private vendors exceeds that sold by state-owned groceries. If things continue this way, state-owned vegetable stores will face the danger of closure or switching to other businesses.

C. With regard to the countryside reselling grain, we should differentiate between various areas and treat them differently. In high income areas, we can practice food rationing with negotiated prices. In low income areas, we can give appropriate subsidies. As for grains and edible oil used by industry, we may allow bargaining and negotiating for purchases and sales. Subsidies for imported grain will be paid by those units that use the grain.

Fourth, financial departments, banks, and units that accept subsidies should jointly discuss solutions to the problem of subsidies that are due. This work should not be delayed further.

Zhao Haikuan Views Financial Structural Reform
91CE0156A Chongqing GAIGE [REFORM] in Chinese
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[Article by Zhao Haikuan (6392 3189 1401): "A Few Issues Connected With Financial Structural Reform"]

[Text] At this point there are different views among Chinese economists regarding banking reform and macroeconomic regulation and control of the banking

system. Disagreements are relatively sharp. Discussing these opposing viewpoints and the relative merits will benefit efforts to carry out reforms correctly.

I. Should Financial Institutions Compete Among Themselves? How Should This Competitions Take Place?

Because some problems have risen as a result of competition in the last few years between financial institutions (such as the practice in which a single enterprise opens accounts in more than one bank, and unplanned addition of branch financial organs), many people have taken a negative attitude towards competition between financial institutions. They advocate that the various specialized banks stop seeking business in overlapping areas and that they cease competition, that operational boundaries be clearly demarcated once again, and that each financial institution do business only within its assigned scope without impinging upon any other. However, the history of development of the world banking industry as well as the history of the development of the banking industry in China since the founding of the nation show that unless there is competition, and unless financial institutions apply pressure upon each other, every one will carry out business activities in a sloppy manner, and the banking industry will not progress or develop quickly. For this reason, we must correctly understand and deal with problems that have risen in course of competition and continue to encourage financial institutions to compete among each other, spur each other forward, actively create a competitive external environment, force themselves to reform continually and advance rapidly, and make China's banking industry advance and develop more rapidly.

However, China's experience in last few years has shown that if banking institutions are to engage in normal competition, in addition to establishing the scope and rules of competition, properly strengthening administrative management, encouraging beneficial competition, and preventing destructive competition, the most important thing we should do, in a fundamental sense, is to convert the management of financial institutions to something more akin to enterprise management. The most important reasons for the problems which have arisen in connection with competition among financial institutions in China in recent years include the following: enterprise management methods have not been used widely enough by China's financial institutions yet; neither bank heads nor workers and staff attach enough importance to economic benefits; concepts of cost and profit are very weak, etc. Some grassroots financial institutions participate in competition primarily in order to expand their territory of operations and to increase the amount of funds under their control. They rarely stop to consider whether costs will rise or profits will shrink. The result is that many enterprises do not even consider costs in the course of competition in their

efforts to expand business and gain control of more funds. Many banks are even willing to establish branch offices whose services are made redundant by other banks and which are sure to suffer losses. Also, many banks open accounts for enterprises that already have accounts in other banks. This has led to the practice in which a single enterprise opens accounts in more than one bank.

Given the current status of banks, it would be difficult to raise the degree to which enterprise management methods are used in banks, because currently existing specialized banks are all responsible for many policy-related tasks, and for policy-related tasks you cannot take into account costs or profits. Policy-related tasks must be carried out in a highly proficient manner no matter how high the costs or whether there are profits or not. Thus, if you do not deal with policy-related tasks separately from regular banking activities, or allow banks to specialize in regular banking operations, it will be impossible to strengthen enterprise management methods in banks. This raises the question of whether we should establish a specialized bank to carry out policy-related banking activities so that the various specialized banks will no longer need to carry out policy-related tasks. Policy-related banks, just like the Central Bank, would not adopt enterprise management methods or seek profits. All other banks and financial institutions would adopt enterprise management methods and take costs and profits into account.

Establishing separate banks to carry out policy-related banking functions is an indispensable step if we are to carry out macroeconomic regulations. Only in this manner can we assure that funds intended for policy-related banking activities are not used for some other purpose. We could establish new banks to carry out policy-related functions. In order to make more economical use of human, material, and financial resources, we could also consider reorganizing grassroots organs of the People's Bank for this purpose. If we organize grassroots organs of the Peoples Bank, their duties, in addition to such policy-related tasks as providing loans for procurement of the major agricultural and sideline products, would also include the work now carried out by the grassroots organs of the People's Bank.

This approach to the issue is composed of three links. These three links are inseparable. If we do not relieve specialized banks of policy-related functions or establish separate banks for this purpose, it will be impossible to strengthen enterprise management methods in the various specialized banks. If we do not strengthen enterprise management methods in financial institutions, it will be impossible to engage in business activities and competition in a healthy manner.

II. Should Macroeconomic Regulation and Control of the Financial System Be Carried Out by the Central Bank or by the Banking Systems?

There are two different viewpoints concerning who should carry out macroeconomic regulation and control of the financial system.

According to one view point, if we are to truly do a good job with macroeconomic regulation and control of the financial system, we must rely primarily upon the compulsory state plan and a relationship based on administrative hierarchy to organize all the various types of financial institutions in China (at the very least the state owned specialized banks) into a system in which all actions are unified and the banks coordinate smoothly. By doing this, all banks would assume shared responsibility for this task. This system would be composed of the Central Bank, the various specialized banks, and other financial institutions. It is the Central Bank which formulates and carries out the macroeconomic policies related to the financial system. The various specialized banks also participate in formulating and carrying out macroeconomic policy related to the financial system. Everybody divides labor and works together to carry out macroeconomic regulation of the financial system. In other words, the entire financial system is manipulated by the instruments of macroeconomic regulation in the hands of the state, and the mobilization and supply of funds in the system should be determined by the state plan and state policy. The main basis of this view point lies in the fact that the specialized banks in the China are all state-owned. At this point they all carry out regular banking activities as well as policy-related banking activities, and they have borrowed very little from enterprise management methods. Also, it would be impossible to relieve them completely of policy-related banking activities in the future, or to increase very much the use of enterprise management methods in these banks. In these circumstances, the only way to carry out macroeconomic regulation and control of the financial system is to rely primarily upon administrative methods, unifying all banks that belong to the state, and making them act in unison. It would be difficult to achieve the desired results by relying primarily upon the economic methods.

According to the other view point, if we are to truly revitalize the economy and accelerate the pace of economic development even as we stabilize the value of our currency, we must rely primarily on the Central Bank to use economic methods in carrying out macroeconomic regulation and control of the financial system. To do so would require the following concrete measures: The Central Bank would have to formulate and enforce macroeconomic policy on the financial system, and the specialized banks would be relieved of their policy-related functions, thereafter carrying out primarily regular bank functions, adopting enterprise management methods. They would cease to take direct responsibility for macroeconomic regulation and control of the financial system. The Central Bank is the state organ which manages the financial industry. It is part of the State Council, and it manages all financial institutions on behalf of the state. As it carries out macroeconomic regulation and control of the financial system, it can use its administrative position to manage and oversee all financial institutions, and prevent occurrence of activities which violate law, discipline, or policy. However, it should rely primarily on economic methods. Macroeconomic regulation of the financial industry would

have to be carried out in the following order: First, the Central Bank would act in accordance with the state's macroeconomic policies and take appropriate measures to regulate the banking industry. Then, the bank would operate via the business activities which the banking industry itself engages in on the basis of its own economic interests to regulate enterprises which borrow funds, so that the entire economy would operate in accordance with the requirements of the state plan and macroeconomic policy. The various specialized banks would all be financial enterprises under state ownership, and in their normal business operations they would serve as a model of observance of state policies and laws. At the same time, they would also have to take into consideration their own economic interests. Because the Central Bank would rely primarily upon economic methods of regulation, the methods it adopted would form a particular environment. Within this environment, as long as the various financial institutions acted in accordance with their own financial interests, they would be acting in accordance with the requirements of macroeconomic policy.

It should be acknowledged that each of these view points has a certain basis in fact, as well as a certain logic. The former viewpoint is a pragmatic one, given the fact that: policy-based banks have not yet been established, the various specialized banks still make little use of enterprise management methods, and financial markets have not yet attained their required level of development. However, the ideological foundation of this viewpoint assumes that we must have one large, unified bank. The fact is, though, that experience in China during the many years prior to reform show that a large, unified bank (or a large, unified banking system in disguised form) cannot revitalize the economy or the financial system. Such a system must rely primarily upon administrative methods to assure repayment of loans. It is very difficult to for this type of system to differentiate between different borrowers, for which reason macroeconomic regulation and control of the financial system lacks elasticity. During periods of tight control, this system is apt to smother the economy, and during times of loose control, it may allow the economy to sink into chaos.

According to the latter viewpoint, when the Central Bank carries out macroeconomic regulation and control of the financial systems, it uses economic methods first of all in regulating the various financial institutions instead of relying primarily upon administrative means. This facilitates efforts to revitalize the financial industry. At the same, because the various financial institutions can decide on the basis of their own economic interests whether or not to issue a loan, and how big such a loan should be, they can assure that credit funds are issued to enterprises which produce popular products, earn more profits, and repay loans and interest with ease. This enables scarce credit funds to be used in the most efficient manner. Economic structure would gradually

become more rational, and the entire national economy would achieve stable, coordinated, continuous, and rapid development.

From this it is not hard to see that in the long run we must work hard to create the necessary conditions that will enable us to make a gradual transition to the type of macroeconomic regulation and control of the financial system called for by the second viewpoint.

III. In Financial Work, How Are We To Carry Out the Principle of Combining the Planned Economy With Market Regulation?

In financial work, the effort to carry out the principle of combining the planned economy with market regulation involves two issues: one issue involves the question of how the financial industry is to support and spur the implementation of this principle throughout the entire national economy. The other issue involves the question of how the financial industry itself is to implement this principle. These two issues have differences and points in common. The first issue involves the question of what forms and methods the financial industry should use to help the national economy function in an overall manner consistent with the state plan, at the same time that it allows necessary development of the market and revitalizes the entire economy. The question is whether the various specialized banks and other financial institutions should act as agents of state macroeconomic regulation or state economic management to handle their credit relationships with the enterprises which borrow funds, or whether these specialized banks and financial institutions should act as enterprises on an equal footing with other enterprises, and take their responsibility to the state and to their own economic interests as the point of departure in handling credit relationships between themselves and enterprises which borrow funds. As for the second issue, the question is how to enable the financial industry to engage in business activities in accordance with the state plan while it develops financial markets, revitalizes the financial industry, and allows credit funds to be used in a manner basically consistent with economic laws. From this it is clear that the latter of these two issues is more important and fundamental. If we clear up the second issue, we automatically clear up any questions related to the first issue. In other words, if you clear up the question of how banks are to carry out their own business activities, you automatically clear up question of how banks are to support enterprises, because this support is generated through the business activities of banks. Of course, this second issue is limited by the first issue, because if we are to carry out the principle of combining the state plan with market regulation in the financial industry, we must do so within the context of the implementation of these principles throughout the entire national economy. At the same time, the form and content of efforts to implement this principle in the financial industry must accommodate efforts to implement this same principle more effectively throughout the entire national economy.

How then are we to implement the principle of combining the planned economy with market regulation in our financial work? Some people feel that because the credit funds of banks are controlled by the state and serve as an instrument of macroeconomic regulation and control, banks must therefore engage in activities in a manner completely or fundamentally consistent with the state plan. If the banks themselves represent a combination of the planned economy with market regulation, then interfering in existing financial markets through compulsory plans or administrative means cannot effectively unify operations, and it will be difficult to do a good job of performing the aforementioned function.

However, many years of experience in China have shown that adopting this viewpoint will not enable us to revitalize the financial industry. On the surface of it, it would seem that using administrative methods and a compulsory plan would enable us to unify actions throughout the entire financial community, achieve consistent enforcement of the state's policies of macroeconomic regulation and control, and perform the function of macroeconomic regulation and control in an effective manner. In reality, however, because this course of action cannot revitalize the financial industry, cannot ensure that banks will run their businesses in accordance with economic laws, cannot fully tap the enthusiasm and creativity of grassroots workers and staff in banks, and cannot coordinate with sectors of the national economy which have already been revitalized, it cannot easily perform the function of macroeconomic regulation and control of the financial industry.

Apparently it will be necessary to adopt some other method for implementing the principle of combining the planned economy and market regulation in the financial industry. This method should include the following elements: The volume of loans and who gets priority access are decisions which should be made by the state plan. The total amount of credit and money supplied throughout the entire nation, together with the total amount of credit issued by the major sectors of the national economy along with the various provinces, municipalities, and autonomous regions, should not exceed the total amount specified in the state credit plan. Credit called for in the plans of various provinces, municipalities, and autonomous regions can be further allocated to grassroots banks, but it cannot be assigned to individual enterprises. Grassroots banks should take state economic policy and their own economic interests into account when deciding what enterprises to lend to and how much to lend. Banks can decide to lend or increase lending to enterprises which are well managed, have products that sell well, and can assure repayment of loans. Banks can decline to make loans to enterprises which are poorly managed, have products that do not sell well, and frequently lose money. In other words, the overall volume of loans is decided by the state plan, while concrete disbursement of loans is carried out in accordance with economic principles or market principles.

At the same time, we must also open up financial markets and free up channels of lateral circulation of funds in order to make up for insufficient vertical circulation of funds. In financial markets, both parties to a transaction should be completely autonomous, and the price charged in any transaction should be decided on the basis of supply and demand. We have already taken the first steps toward opening up China's financial markets. A call market, buying and selling of bonds, and transactions involving commercial notes on discount have not only appeared, but developed to a certain extent. In the future we should further develop these transactions and add new forms of transactions where appropriate. Of course, when adding new types and objects of transactions, we must seek the approval of the Central Bank. The total volume of transactions in financial markets should be subject to influence from the state plan. Blind development should not be allowed. The state plan should exert influence upon the total volume of transactions in financial markets by controlling the total number of objects of transactions in financial markets. For example, the total amount of the state bonds issued by fiscal departments and financial bonds issued by banks should each be included in the fiscal budget as well as the bank credit plan. The total amount of stocks and bonds that enterprises throughout the country are allowed to issue should be controlled by a government agency with authority to approve bond issues and stock issues. Call markets are methods of internal funds regulation used among banks. The influence of these activities upon the size of bank loans and upon money supply is already factored into the state credit plan and money supply plan. Selling notes on discount is one way in which banks issue loans, and the total amount of these discounts must be included in the state credit plan. The combined total of loans and discounts should not exceed the credit totals approved in the state credit plan.

In this manner, the state plan can control total credit volume in society as well as the direction in which this credit is issued. When enterprises need to borrow funds, they can get them from the bank in which they have their regular account, from other financial institutions, or these funds also can be directly accommodated by financial markets. Whether sufficient funds can be raised depends primarily upon how well the enterprise is operated and managed and whether its products sell well. In this manner, we will be able to accelerate the pace of development of the entire economy, and improve economic benefits.

Current Financial Situation

91CE0191A Beijing JINRONG SHIBAO [FINANCIAL TIMES] in Chinese 21 Nov 90 p 1

[Article by Jin Weihe (6855 4850 0735): "We Should Treat the Financial Situation Soberly"]

[Text] According to bank statistics, new and increased loans issued by bank and credit institution from January

through August reached 130 billion yuan, a 23 percent increase over the same period last year. Bank loans accounted for 95.8 billion of this figure, increasing at a rate of 17 percent, much greater than the 2.6 percent growth in the gross value of industrial output [GVIO] in the first eight months of this year. The situation in September and October seems to indicate that the growth in loans remains quite vigorous, constituting a new high for credit released in recent years. This is appraised differently in different circles: opinions are widely divided.

This year's financial situation should be considered rather stable, but at the same time it contains risks. Why do we say this? From all appearances, this year's currency withdrawal is better than in former years. Various types of savings have increased greatly, and there have not been any great fluctuations since some important financial measures were instituted. However, in analyzing the issue, we should not look only at appearances, but must do substantial investigation. With carefully measured analysis, we can easily see the risks contained in the stability.

The first issue is how to properly treat the increase in loans. In the first eight months of this year new and increased loans hit a historical high. New and increased loans from banks alone were over 59.2 billion yuan more than in the same period last year, an increase of more than 100 percent. What is of concern is that this large outlay comes on top of the record outlay of 125.6 billion yuan issued in loans in the fourth quarter last year. If these outlays are taken together, they already greatly exceed 1989's total of 185.8 billion yuan in loans. If loans issued from September through December of this year maintain the level they did in the same period last year, which was 149.2 billion yuan, it is estimated that 1990's total issue of new and increased loans will increase by as much as 19.7 percent, much higher than the planned 6 percent annual growth in GVIO and the 5 percent growth in gross national product. Even though that includes the price rise index, it is still 7 to 8 percent higher than the economic growth rate and price rises combined. Facts show that banks can by no means totally implement a tight credit policy, but should try to tighten up on the slack and get a firm grip on the degree of slackness. While bank loans are excessive, the loan structure is extremely inequitable. A large amount of loans is concentrated on finished products and cannot be turned over. Through the end of August, funds in the national budget used for finished products of industrial enterprises reached 111.8 billion yuan, an increase of 42.6 percent over the same period last year. A corresponding amount of loans made up for deficits in subsidies granted by the state to enterprises which were caused by policy considerations; deficits from losses; and deficits which were falsely listed as profits. Some loans even became the sources for enterprises' direct submission of profits and taxes to the state treasury. Moreover, overdue and suspended enterprise loans also increased greatly. This increase in high-cost, low-yield loans further exacerbated the contradiction between society's

aggregate supply and demand, making it difficult to resolve the inequities in the economic structure and impossible to really help the enterprises to extricate themselves from their predicament. From January through August of this year, the total volume of retail sales fell 1.1 percent compared to the same period last year, and profits realized by budgeted industrial enterprises fell 56.8 percent. Losses of enterprises running deficits reached 17.5 billion yuan, an increase of 102.4 percent, and the number of enterprises whose profits and taxes submitted to the state were in arrears increased greatly. We can see from this that, although a great increase in bank loans stimulates and stabilizes the economy to a certain extent, the price is high, and the results are not altogether ideal.

The second issue is how to properly handle this year's new and increased deposits. Through the end of August, new and increased enterprise bank deposits amounted to 57.4 billion yuan, and new and increased resident urban savings deposits amounted to 107.8 billion yuan. These deposits provide a source of funds for additional loans, but there are some problems that cannot be overlooked. A considerable portion of these deposits is a false increase. With regard to enterprise deposits, quite a few are directly or indirectly derived from bank loans. According to the findings of some provinces, this type of derivative deposit accounts for at least 60 percent of the increase in enterprise deposits. In addition, some institutions make up a certain proportion of new and increased enterprise deposits. So, it is not advisable to overestimate the increase in enterprise deposits. Taking another look at resident savings deposits, we see that some are bank loans which have not been produced or circulated, but have been directly transferred, which makes them derivative savings deposits. Moreover, factors such as individual household enterprises that go out of business, units that violate discipline and privately deposit public funds, and a tightening of some mass consumption expenditures all add to the "exaggerated" savings. Also, a portion of the loans now being granted use a disproportionate amount of derivative savings. The danger of "empty transfers" of funds without any movement of goods is obvious.

The third issue is how to properly handle the issuance of currency. In the first stage, currency withdrawal was rather good. This was accomplished primarily through additional savings. It was also a temporary phenomenon. Because only 21 billion yuan in currency was issued last year, and because a net currency withdrawal occurred in the first eight months of this year, it was easy for people to mistakenly believe that there was no currency problem. However, the stern facts warn us that this year and next year will be another period of peak currency circulation, following those in 1984 and 1988, and the threat of another round of serious inflation still exists. One reason for this is that, at the end of last year, there was still an excess of several dozen billion yuan of currency that had been issued over the years circulating in the economy. With the present net currency circulation, this excess currency has not been properly

absorbed. A second reason is that this year's vigorous increase necessarily promotes more currency circulation. The low rate of economic growth and the rather low price index will inevitably lead to new currency issues in excess of the economy. A third reason is that consumer funds have increased rather rapidly. Total employee wages grew by 10.6 percent in the first eight months, far exceeding economic growth and improved performance. A fourth reason is that increases in savings deposits have now abated. With the disappearance of some abnormal factors, next year's savings deposits will not see the same extraordinary increases they did this year. Also, this year's increased loan base will create conditions for the continued expansion of loans next year, and the difference between savings and loans can only be made up with paper money. A fifth reason is that purchasing funds for this year's bumper harvest in agriculture must be increased. A sixth reason is that this year's financial deficits could be enlarged because of enterprise slumps and declines in performance. If the deficits are to be made up through bank overdrafts and loans, naturally more currency must be issued. The factors given above explain why we are afraid that increased currency circulation this year is hard to avoid. The fact that currency circulation has gone straight up since the beginning of July is a clear signal of this.

In summary, because of expanded credit and increased currency issues, along with gradual reinvigoration of the market, excessively rapid growth in consumer funds, an increase in the scale of fixed asset investment, and inequitable economic structural obstacles and price adjustments, the pressure for price increases and inflation next year is rather great. In light of this, we certainly cannot sit back and relax, nor can we ease up further on the money supply. Rather, we should adopt measures in a cool-headed and vigorous manner, in order to firmly control the total increase in currency and credit. We must continue to truly make curbing inflation the most important goal of improvement and rectification. We cannot relax again in the slightest.

Banks To Handle Interest-Bearing Savings Deposits

91CE0191B Beijing JINRONG SHIBAO [FINANCIAL TIMES] in Chinese 14 Nov 90 p 1

[Article by Jin Rong (6855 5554): "China's Balance of Savings Deposits Reaches 680.2 Billion—A Newly-formed Department of the People's Bank of China Improves Management of Interest Rates"]

[Text] Interest rates and savings deposits have now become a hot topic in all trades and professions. Interest rates on bank savings and loans have been adjusted downward twice this year, in April and in August. That played a part in regulating the economy, but various sides appraise it in different ways. Although interest on savings deposits was adjusted downward, savings deposits and loans are still increasing rapidly, creating a distinct contrast. Recently this reporter learned that the

main branch of the People's Bank has a newly-organized department for managing interest-bearing savings deposits, and specifically interviewed the head of that department, Comrade Yu Naidong [0060 5082 0392].

Comrade Yu Naidong said that the main branch's newly-organized department for managing interest-bearing savings deposits is tasked primarily with improving management of interest rates. This specifically includes simplifying interest levels; improving the interest rate structure; increasing surveillance of floating interest rates, and prohibiting special banks and financial organizations at various levels to float interest rates at will; clarifying and standardizing the types and limits of preferred interest rates; unifying methods for calculating interest, to guard against banks and financial organizations calculating interest twice and collecting more interest; increasing control over interest penalties, strictly implementing regulations and policies on interest penalties, and forbidding banks to assess enterprises with interest penalties at will.

Comrade Yu Naidong pointed out that there are now occasional cases where some banks and financial organizations raise interest levels covertly. Substations and branches at every level of the People's Bank of China must be highly responsible, enhance management of interest rates, resolutely implement interest policies, conscientiously supervise and inspect, and promptly correct and strictly deal with violations of the state's interest policy.

Comrade Yu Naidong said that China's balance of savings deposits increased by 165.5 billion yuan in the first 10 months of this year, which was 55 billion yuan more than in the same period last year. The balance of savings deposits had already reached 680.2 billion yuan by the end of October. Stable growth of savings deposits is important to the macroeconomy. Nationally there are 900,000 savings institutions and various types of savings net points tied to numerous households. The Central Bank is always concerned about savings deposit developments. Savings deposit management focus on standardizing savings deposits to guard against "savings deposit wars," urge all banks and saving organizations to improve the quality of their service, and promote the development of the savings industry.

Comrade Yu Naidong also revealed that the main branch of the People's Bank of China is in the process of revising the "People's Republic of China's Regulations on the Administration of Individual Savings Deposits," in order to bring the administration of China's savings deposits in line with legal controls. At the same time, now that the main branch of the People's Bank of China has formed a department to manage interest-bearing savings deposits, provincial branches of the People's Bank of China will also have to form corresponding departments to ensure that the policy on interest-bearing savings deposits is effectively carried out.

Drawbacks of Financial Subsidies Viewed

HK0901021691 Beijing CHINA DAILY in English
9 Jan 91 p 4

[By Chen Xiao]

[Text] Like a tired ox pulling a heavy cart, enormous financial subsidies have become a great strain on China's central finance.

Subsidies in 1989 approached 100 billion yuan (\$19.2 billion), making up more than one-third of the year's revenue of 280 billion yuan (\$53.8 billion).

The increase in subsidies which began in the early 1980s was not slowed down even in 1990, when the retrenchment programme was carried out.

"The irrationally huge subsidies must be reduced, otherwise central financing will have little power over the general economy," Xiang Jiangquan, a professor at the Institute of Fiscal Science under the Ministry of Finance, said in an interview with CHINA DAILY.

Subsidies have ballooned at an annual rate of 18 per cent since 1988, while the growth in revenue has been only 10 per cent at most.

"In such a situation, it is not surprising that China's finances have witnessed decade-long deficits," said the 56-year-old Xiang, who taught at Beijing University before working for the Ministry of Finance.

Subsidies in China fall into three categories—those for keeping prices stable, for enterprises in the red and for making up bank interests in loans on certain special projects, Xiang said.

In 1989, about 60 billion yuan (\$11.5 billion) was used to support poorly-run enterprises and 37 billion yuan (\$7.1 billion) for price subsidies.

"The figures have grown astonishingly compared with a decade ago," the economist said.

In 1978, price subsidies stood at only 1.1 billion yuan (\$0.6 billion when exchanged at that year's rate), and the central finance did not need to bail out loss-making enterprises.

The increasing subsidies had caused more and more problems for production, circulation and consumption, said the economist.

Coal-mining and oil extraction, the country's biggest loss-makers, have to rely heavily on financial aid.

In the heated debate on the issue of financial subsidies, some economists have insisted that the State stop the burden. The subsidies tie up central finance, they say.

However, other economists, including Xu Wenqing, a top official at the State Planning Commission (SPC), are against the idea.

The subsidies helped the government stabilize the economy and society, said Xu, director of the Bureau of Finance and Banking at the SPC, although he admitted they had been a heavy strain on central finance.

But subsidies make enterprises rely on central finance instead of on constant improvements in efficiency.

Both economists and government officials have reached a consensus that the subsidies must be limited.

The key to bringing down the subsidies was to speed up the development of agriculture and upgrade productivity, Xiang Jingquan said.

The poor grain harvests from 1985 to 1988 as a result of reduced input had added to the financial burden, Xiang said, adding that recent increased income in agriculture would allow the State to stop raising the grain purchasing price.

Meanwhile, it was high time to improve the efficiency of enterprises in 1991, while the industrial growth rate was picking up.

While controlling the speed of industry, more stress should be laid on enterprise management. "We cannot seek more output value simply by giving more input," Xiang said.

He said it was relatively difficult to reduce price subsidies, as they were connected with price reform. "it is unrealistic to undertake a massive shake-up of the price system," said the SPC director. "Smaller changes are more desirable."

First, "the double-track" price system should be cancelled. "The irrational system has worsened the chaos in prices," he said.

The prices of coal and crude oil could then be raised appropriately, he said.

In 1989, subsidies totalling about 9.5 billion yuan (\$1.8 billion) were given to industry, most of which went to the loss-making coal and oil production.

Besides, 4 billion yuan (\$800 million) had been given in 1989 by the central finance to the Ministry of Commerce mainly to keep the selling prices of grain and edible oil down.

Xu suggested the government take appropriate measures to narrow or eliminate the wide gap between purchasing and selling prices for grain and edible oil.

Meanwhile, the director said, the central government planned to control the consumption of grain in such industries as wine-making and food-processing.

In the Eighth Five-Year Plan (1991-95), the government is to promote the social security system for the retired and unemployed.

"This may create the necessary conditions for implementation of the Bankruptcy Law. Meanwhile, enterprises will be able to improve efficiency by trimming their workforce, a common headache for industrial firms throughout the country," he said.

Bank of China To Adjust Loan Structure

HK1501030891 Beijing CHINA DAILY in English
15 Jan 91 p 2

[By staff reporter Wang Xiangwei]

[Text] The Bank of China [BOC], the country's major foreign exchange banking institution, vowed yesterday to absorb more deposits and adjust the loan structure for 1991 with more money flowing to infrastructure and export-oriented enterprises.

Wang Deyan, BOC president, said in his keynote speech to the national banking conference that the bank would continue its tight financial policy and keep the total amount of loans under strict control.

Wang said that the bank would also try to put more effort into research of the international money markets and transactions of the country's foreign exchange reserve.

Wang said that the bank would probably face more difficulties this year than last year because of the bank-drop of the increasing complexities of the international economic and financial situations.

He said that the bank would try to add 12 billion yuan in renminbi deposits and \$1 billion in foreign current deposits for 1991—slightly higher than the targets for 1990.

He said that the BOC planned to issue 20 billion yuan in RMB [renminbi] loans and \$3.5 billion in foreign currency loans.

Wang said that a major proportion of the loans would go to support export-oriented enterprises including foreign-funded ventures with exporting capabilities.

The foreign currency loans would be channeled into infrastructural projects such as energy, transportation and raw materials, he said, in accordance with the government's industrial policies.

More loans would flow to large- and medium-sized enterprises and enterprise groups which could generate more hard currency and were more capable of repaying loans.

Wang said clearing up the defaults both in RMB and foreign currency loans would become a top priority for the bank this year.

He urged the use of administrative, economic and legal measures to enforce the repayment of loans.

He said the bank would take an active approach to the international money markets as the country's major raiser of foreign capital.

Meanwhile, Wang also reviewed the bank's financial activities last year, saying that it fared better in implementing the various economic plans.

By the end of 1990, he said, the various RMB yuan deposits stood at 78.15 billion yuan, up 54 percent over the end of 1989.

The various foreign-currency deposits had risen 29 percent to \$22.84 billion by the end of 1990.

By the end of 1990, various bank loans in RMB yuan stood at 192.02 billion yuan, 33.14 billion yuan up on the figure at the end of 1989.

Various foreign-currency loans stood at \$23.83 billion by the end of 1990, \$3.75 billion up on the figure at the end of 1989.

Last year, the bank also expanded its network of branches by 700 to the current 6,000 and increased its payroll by 8,414 to the current 73,000.

Wang said that last year the bank had set aside special loans to support foreign-funded enterprises with emphasis on production, hi-tech, and export-oriented ventures.

Last year, the bank issued various RMB loans of 10.75 billion yuan and foreign-currency loans worth \$1 billion to foreign-funded enterprises.

People's Construction Bank To Cut Loans

HK1601055891 Beijing CHINA DAILY in English
16 Jan 91 p 2

[By staff reporter Zhang Yu'an]

[Text] The People's Construction Bank of China—the country's key financial arm for fixed asset investment—is to reduce its 1991 loans by 8.2 billion yuan (\$1.58 billion).

The bank's total quota of new loans for this year would be 31.75 billion yuan (\$6.11 billion), excluding those for Shanghai and Shenzhen, Zhou Daojiong, the bank's president, told his 120 branch leaders from all over the country yesterday at an annual working conference in Beijing.

The figure, representing a cut of 8.2 billion yuan compared with the 39.95 billion yuan (\$7.68 billion) in loans provided by the bank last year, indicated that the bank was serious in following the central government's austerity programme, according to Zhou.

However, he urged his branch leaders to give top loan priority to key state construction and major technical renovation projects.

These included projects in the energy resources, transport and telecommunications industries, and important raw materials.

The bank provided a total of 68.8 billion yuan (\$13.23 billion) worth in loans to key state fixed-asset investment projects between 1986 and 1990.

Meanwhile, Zhou said the bank's working capital loans this year would go to support engineering enterprises which were responsible for constructing key state projects.

Zhou required his bank to attract 20 billion yuan (\$3.85 billion) in deposits this year to provide a guaranteed source for this year's loans.

By the end of last year, the bank's total savings deposits had hit 151.23 billion yuan (\$29.08 billion), including 100.29 yuan (\$19.28 billion) deposited by enterprises and 50.95 billion yuan (\$9.79 billion) by individuals, Zhou said.

At the same time, he said, the bank would issue new financial bonds domestically to raise funds for key state construction projects.

Between 1986 and 1990, the bank had raised 40 billion yuan (\$7.69 billion) for key state projects through bond issues.

Shanghai To Permit Foreign Currency Securities

HK1912023490 Beijing CHINA DAILY in English
19 Dec 90 p 1

[By staff reporters Wang Xiangwei and Wei Hua]

[Text] Shanghai—A senior bank official has said that Shanghai is "actively" studying the possibility of issuing bonds and stocks denominated in foreign currencies.

"We are actively contemplating relevant laws and regulations in cooperation with other municipal departments," said Gong Haocheng, governor of the Shanghai Branch of the People's Bank of China, the country's central bank.

Speaking at a news conference yesterday on the Shanghai Stock Exchange (SSE), which was scheduled to open today, he said the initial outline for such issues had already been put forward for discussion by local officials.

But he said it was still too early to say when the regulations would come into effect.

He said the drafting of relevant regulations on the issue of stocks and bonds denominated in hard currency would also enable foreign-funded enterprises to go public on China's securities markets.

But the municipal government, he said, had not decided whether to allow foreign-funded enterprises to float shares in local or foreign currency.

The city's intensified efforts on promulgation of the regulations were reflected in the Shanghai Fund, which aimed to attract foreign investors to buy shares in China and which was expected to go public in Hong Kong soon and in London next year, Gong said.

The fund, initiated by Indosuez Asia Investment Services Limited of Hong Kong, was expected to put into circulation around \$20 million to be invested in listed shares and unlisted companies in Shanghai.

Gong said the local bank would co-operate closely with fund managers to ensure smooth cash flow.

He said one option under consideration was to allow fund managers to convert currency through the country's foreign exchange swap centres.

China still exercises strict restrictions on foreign exchange as the yuan, though devalued three times in the past two years, is still considered overvalued and cannot be converted on world money markets.

Meanwhile, one of the city's eight listed joint-stock companies seized the opportunity to float 120,000 new shares to local residents yesterday. Thousands of local residents queued overnight to get their 10-yuan shares.

Gong said the municipal government had released a set of regulations—including a maximum purchase of 10 shares per person—to curb increasing speculation in stock trading.

INDUSTRY

Sichuan Plans Economic Technological Development Zone

91CE0109A Hong Kong CHING CHI TAO PAO
[ECONOMIC REPORTER] in Chinese No 36,
10 Sep 90 p 14

[Text] Chongqing, a place of strategic industrial importance in southwestern China, is gearing up for an economic technological development zone. The city government has zoned off a 3.5 square meter plot of land in the Nanping and Jiangbei areas to be invested in by Taiwan and foreign businessmen. It also has set up a development zone management commission.

At present, in accordance with relevant national laws, the Chongqing municipal government has formulated 17 preferential policies, including:

Regarding land use rights in the development zone, compensatory sales shall be practiced. The sales term shall vary from 50 to 70 years, differing according to whether the area is zoned for industrial, commercial, or residential use. Land use fees in the development zone, set at two yuan per square meter, shall not change for 10 years. After the 10 years has elapsed, the fees shall be regulated once every three years. No land use fees shall be levied prior to the end of 1996.

Once state approval has been granted, foreign invested banks and financial institutions shall be permitted to open branches or representative offices as well as financial service and insurance companies in the zone.

Sensor Technology Bases Planned

90CE0109B Hong Kong CHING CHI TAO PAO
[ECONOMIC REPORTER] in Chinese No 37,
10 Sep 90 p 14

[Text] According to revelations by the experts concerned, during the Eighth Five-Year Plan, the state will give priority to setting up three sensor technology bases in the provinces of Heilongjiang, Anhui, and Shaanxi. Key areas for development are primary parts and transducers for humidity, power, and voltage sensors. At the same time, it also will develop primary parts and transducers for heat, magnetic, bio-, and ion sensors. These will serve various sectors of the national economy, such as integration of the energy, communications, light and textile industries, and the petrochemical and electromechanical industries, the automation of industry, instruments and devices, and the security environment.

Primary parts and transducers are a burgeoning high-technology industry. During the Eighth Five-Year Plan, the state will invest 600 million yuan (RMB), primarily for revamping 42 production lines. By the end of the Eighth Five-Year Plan, the state's primary part and transducer output will be 1.4 billion units, valued at 5.72 billion yuan. Profits will be 1.7 billion yuan, foreign exchange earnings from exports also will be 1.7 billion yuan. The nationalization rate will be greater than 80 percent.

Minister of Textile Industry Projects Future

91CE0109C Hong Kong CHING CHI TAO PAO
[ECONOMIC REPORTER] in Chinese No 37,
17 Sep 90 p 10

[Text] At a recent national meeting of textile office chiefs, Wu Wen-ying [0702 2429 5391], minister of the Ministry of Textile Industry, projected the future for the textile industry:

A good job shall be made of long-term strategic readjustment. In the future the industry must control overall national textile processing power. To improve product quality and enhance added value, the industry must rely more upon high technology.

During the 1990's, the industry must open up more international markets, aiming at the four major sales markets of the United States and Canada, Western Europe, Japan, and the Soviet Union, plus the world's largest entrepot market, Hong Kong. It also must participate actively in the international division of labor and cooperation.

Strategic readjustment must be made within the textile industry, realizing deployment of resources in order of importance. In the future, old coastal textile bases in large- and medium-sized cities ought to be readjusted in

line with the industry's overall structure. Primary processing products and low value-added products should be moved elsewhere. Efforts should be concentrated to develop precision work, additional processing, and higher value-added products that are highly competitive on the international market.

The organizational structure of the industry has to be readjusted. To allow the preponderance of the masses to play a role, we should establish a production-managed, integrated, centralized company that spans industries and regions and that is in the upstream or midstream sectors of industry. It should be driven by name-brand, hot-selling products.

Overall departmental relations should be smoothed out. Small cotton textile and yarn mills should be readjusted. Enterprises showing poor economic results should be reorganized, integrated with others, or should cease production or change their line of production.

Border Areas Set Up Open Zones

91CE0109D Hong Kong CHING CHI TAO PAO
[ECONOMIC REPORTER] in Chinese No 37,
17 Sep 90 p 10

[Text] Pan Zhaodong [3382 3564 2639], special researcher at the Research Center of Nationalities Economics, which is part of the State Nationalities Affairs Commission, noted a day ago that three large development zones are planned for the northern, western, and southern border regions. The opportunity to open border regions to the international market should not be lost.

The northern development zone will have Heilongjiang, Inner Mongolia, Xinjiang, Jilin, and Liaoning in the forward position, backed by industrial bases in the northeast, north, and the northwest. They will aim at the Soviet Union, Korea, Mongolia, and Eastern European countries. Long-term border outposts and various international strategic channels will be used to seize empty markets as soon as possible.

The main task of the northern development zone is to energetically develop consumer industries and exports based on the objective needs for consumer goods in seriously short supply in the Soviet Union and Eastern Europe. The zone will strive to improve the market share for China's consumer goods in the Soviet Far East, Siberia, Central Asia, Korea, and Mongolia.

Southern Xinjiang will be in the forward position of the western development zone, aimed at Pakistan and the "Islamic economic bloc" of western Asia. The zone will expand markets in western Asia and develop entrepot trade. At present, the total foreign assets of 10 western Asian petroleum producing countries, including Saudia Arabia, Iran, Iraq, and the United Arab Emirates, exceeds \$500 billion, constituting a new trend of "capital moving east."

Medium, Small Enterprises Head for Technological Cooperation

91CE0109E Hong Kong CHING CHI TAO PAO
[ECONOMIC REPORTER] in Chinese No 40,
8 Oct 90 p 17

[Text] Relevant departments noted that the development trends of small- and medium-sized enterprises in foreign economic technological cooperation are:

Light industry: Import advanced foreign technology to revamp old enterprises and create well-known, superior products that can be made in small lots and in great variety, can be delivered quickly, and that can earn foreign exchange through export.

Textile industry: Engage in foreign cooperation by stressing resolution of technological problems and weak links. For example, in the cotton textile sector, resolve problems concerning single-thread tension control and constant tension winding technology.

Electromechanical industry: Improve product life, precision, efficiency, and reliability in terms of variety, quality, and returns. Cooperative projects should include hot-working technology, bearing hydraulic pressure components, and expanding laser technology's welding, cutting, and surface-handling applications.

Chemical industry: Give priority development status to fine chemical sectors that are quickly renovated, have small output, and have many functions or applications, such as functional resins.

Building materials industry: Stress improving technology levels, greatly lowering energy consumption, and improving output and quality.

Industrial Production Situation in Liaoning Analyzed

91CE0182A Shenyang LIAONING JINGJI BAO
in Chinese 12 Nov 90 p 3

[Article titled: "Industrial Production Situation in Liaoning Analyzed"]

[Text] For the first nine months of this year, the province's gross value of industrial output for enterprises above the township level declined 0.1 percent compared to the same period last year. This was down 4.2 percentage points from the national average growth rate of 4.1 percent, and it ranked second nationwide. The output of light industry fell 1.9 percent, down 6.8 percentage points from the national average growth rate of 4.9 percent. The output of heavy industry rose 0.8 percent, 2.4 percentage points lower than the national average growth rate of 3.2 percent. The output of industries owned by the whole people slipped 0.6 percent, 2.0 percentage points lower than the national average growth rate of 1.4 percent. The output of collectively-owned industries grew 0.8 percent, 3.0 percentage points lower than the national average growth rate of 3.8 percent.

Since May, industrial production in the province has begun to inch up slowly again, but after six months of struggling to work our way out of the doldrums, we have yet to put negative growth behind us. Of the province's 14 municipalities and 11 leading industries, nine municipalities and seven industries have registered negative growth. The 11 leading industries account for 66 percent of the province's gross value of industrial output above the township level. Between January and October, the growth rates of the petroleum, chemical, pharmaceutical, and textile industries ranged between 1.6 and 8.5 percent. Three industries—metallurgy, nonferrous metals, and building materials—shrank between 1.3 and 2.3 percent. Four other industries—engineering (civilian engineering), light industry, electronics, and tobacco—declined between 4.3 and 17.6 percent. Output at industrial enterprises in local budgets has consistently shown a downward trend.

The steepest declines in output and sales revenues and the highest inventories of finished products can be found in three industries: engineering industry, light industry, and electronics. Between January and September, for example, the output value of the engineering industry fell 9.1 percent from the same period a year ago, lowering the province's gross value of heavy industrial output by 1.6 percentage points and exceeding the industry's national average rate of decline, which was 2.9 percent, by 6.2 percentage points. Since the beginning of this year, month-to-month output values have dropped between 8 and 14 percent compared to the same period last year. Sales revenues dipped 10.5 percent from the same period last year. Meanwhile, finished products in stock increased 34.7 percent.

These are the major reasons for the declining output of the engineering industry:

First, short-term demand has shrivelled due to national economic adjustment. In Liaoning, the engineering industry is a heavy industry that primarily serves key national projects and capital construction. The industry is hit the hardest and longest by every round of economic adjustment. In the first half of last year, the province's engineering industry still managed to do quite well in output and sales. Economic adjustment began in August and September—with increasingly notable effects on the industry. It bottomed out late last year and early this year. Moreover, the state has cut back on fixed asset investment this year, causing a marked drop in command-plan orders for the industry. So far the industry's total volume of orders is off 5.8 percent compared to the same period a year ago.

Second, the product mix is unsound and adaptability poor. In the entire engineering industry, almost 40 percent of enterprises have experienced a decline in output since the second half of last year because their product mix is unsound and they lack popular, marketable products. Their product mix is not versatile enough to meet the demand of the ever-changing market and the development of an export-oriented economy. There is

too much speculative production and too little exporting. For instance, all three machine tool plants in Shenyang make machine tools primarily by using special, assembly-line production. When the market was booming, they had an edge in large-batch production. Since market conditions changed and sales dipped, they have had difficulty switching to the production of high-grade and precision machine tools. Not only have exports failed to take off, but the industry is now stuck with a large volume of unsold products. According to an analysis of the goods in stock in the first nine months, speculative output accounted for 37.3 percent of overstocked machine tools. Thus we can see that the product mix of machine tools does not make sense. There is too much speculative output: production is largely haphazard. Speculative output accounts for 52.6 percent of all industrial boilers sitting in the warehouses. This has rendered the industry vulnerable to the battering of a changing market.

Third, the range of services is narrow. After-sale services cannot keep pace. Only a small portion of civilian engineering serves the light industry, military industry, and other areas. Some enterprises are not keen about providing after-sale services. There is a huge market in the countryside for engines, pumps, and valves. However, the underdevelopment of after-sale services has tarnished the image of many Liaoning products.

Fourth, production costs are high, and the products are not competitive. Engineering products in Liaoning are generally overpriced. The prices of electrical machines, for instance, exceed those in other provinces by 10 to 15 percent, and the price of bearings is about 5 percent higher. Costs in the industry were 98.9 percent higher in 1989 than in 1988, while commodity output values increased just 70 percent. For the industry as a whole, enterprise production costs account for 88 percent of commodity output values, which is higher than the national average and exceeds Shanghai's figure by 9.7 percentage points. Costs are high mainly because of the following reasons. One, excessive production costs: last year interest on bank loans alone amounted to 700 million yuan. Second, high consumption: for each 10,000 yuan worth of output value, the engineering industry of Liaoning consumes 1.62 percent more energy than does the nation on average, and more than twice as much as Shanghai or Jiangsu. Excessive consumption indicates an acute need to improve the standard of management in the engineering industry.

Take the electronics industry as another example. Between January and September, this industry registered a 5.6 percent decline in output value compared to the same period last year. The slump was attributable mainly to the color television industry. In the first nine months of this year, the output of color televisions plummeted 24.3 percent compared to last year, 5 percentage points more than the national average rate of decline, which was 19.3 percent. The reasons for the drop in output were slowness in developing new products and small market share. Between January and September, the

sales-to-output ratio at the province's four television plants was a mere 75.2 percent. As sales languished and inventories rose sharply, limits were imposed on color television production.

Yet another example is light industry. Between January and September, the output value of the industry was off 11.8 percent compared to a year ago and 12 percentage points lower than the industry's national average growth rate of 0.4 percent. Of the 20 sub-industries within the field of light industry, the daily chemical industry, light bulb industry, and illuminating devices industry enjoyed slight growth, while all others shrank by varying degrees. Among the sub-industries with the worst negative growth were salt making, 65.32 percent; domestic electric appliances, 41.8 percent; machinery for daily use, 11.5 percent; plastics, 9.4 percent, and food and beverages, 7.4 percent. Between them, these five sub-industries accounted for 87.5 percent of the decline in the output of light industry.

Light industrial output has shrunk mainly in response to slumping sales. Because sales have plummeted, inventories have piled up, forcing enterprises to cut back on or suspend production. In the first nine months, the sales-to-output ratio of light industry was 92 percent, production fell 11.8 percent compared to the same period last year, and sales dropped 6.4 percent. In contrast, finished goods in stock rose 35 percent over the same period last year, 14.2 percentage points higher than the average inventory increase rate nationwide. The increase in finished products in stock has absorbed 86 percent of the increase in the working funds quota for the entire industry, equivalent to the industry's output value for one month.

The sales-to-output ratios for the five leading product lines—bicycles, refrigerators, freezers, washing machines, and plastic film—were 89 percent, 58 percent, 84 percent, 72 percent, and 96 percent respectively. The decline in sales ranged from 41.7 percent to 88 percent. Finished products in stock increased anywhere from 6.1 percent to 22.1 percent. Between them, these five product lines constituted 20 percent of the increase in inventories in light industry. It is obvious, therefore, that the drop in light industrial output and the increase in inventories is due mainly to weaknesses in the five leading product lines, which in turn can be attributed primarily to the slump in sales in an ailing market.

One reason for the slump in sales is the macroclimate of demand retrenchment nationwide, which has resulted in a corresponding drop in short-term demand for light industrial products. A second reason is that the market mix of Liaoning's light industry is grossly unbalanced. Products are poor in quality and are concentrated at the low end of the market. The result is uncompetitive products. Everybody is under the influence of the same macroclimate, yet Liaoning has shown a steeper decline in both output value and sales than the nation as a whole. If we analyze the reasons for the slump in sales of the leading product lines mentioned above,

we see that the principal factor has to be structural imbalances. Take refrigerators, for instance: between January and September, Liaoning's refrigerator output fell 56.9 percent, 20.9 percentage points higher than the national average. Sales in Liaoning plunged 67.1 percent even as sales nationwide kept pace with last year's sales. The sales-to-output ratio was only 58 percent in Liaoning, with almost half of the output ending up in warehouses as unsold inventory. Finished goods in stock rose 61 percent over the same period a year ago, 60.3 percentage points higher than the national average. Now let us analyze the total figures for social commodity procurement and sales. In the first nine months, net commercial procurements rose 73.9 percent over the same period last year, and net commodity sales grew 7.6 percent, indicating that the market was not weak. During the same nine months, however, refrigerator output and sales in Liaoning fell 57.1 percent and 67.4 percent, respectively, from the same period a year ago. Refrigerator sales account for 1.4 [as published] of all sales in the province. Three-quarters of the province's refrigerator market has been captured by other provinces. The combined production capacity of Liaoning's four refrigerator plants is far less than that of Wanbao Refrigerators in Guangdong. We compete in the same market, but since we do not have the advantage of numbers, we cannot operate on a larger scale and reap the benefits of economies of scale. Our production costs are high and we are slow to come up with new product designs and styles. We lack economic muscle and competitiveness. We also lag behind in product quality and sale services, particularly in after-sale service. Brand-name recognition and the reputation of our products are also inferior to those of other provinces, hence their small market share. "Friendship" brand refrigerators were among the first to be made in China and are fairly well-known. Since production began, however, there has been little change in quality and style, making them uncompetitive in the face of stiff competition. When sales were brisk, output rose substantially. Once the market changed, output fell notably.

The outlook for industrial production will be even grimmer in the fourth quarter, with the thorniest problems being sluggish sales and a shortage of production funds, accompanied by a number of non-economic factors. These problems will not take an appreciable change for the better in the near future, and will complicate industrial production next spring, as well as hold down output in the fourth quarter. Preliminary projections are that industrial production will continue its trend of slow growth in the fourth quarter, expanding 1.4 percent if everything is done correctly. For the year as a whole, for the most part production is expected to keep pace with that of last year.

Regulations To Improve Planned Management of New Products

91CE0173A Beijing KEJI RIBAO [SCIENCE AND TECHNOLOGY DAILY] in Chinese 18 Nov 90 p 2

["Regulations on Management of National-Level, New-Product Trial-Manufacturing and Appraisal Plan"]

[Text] Chapter 1—General Principles

Article 1. These regulations have been formulated to improve the planned management of new products, make use of planned regulation and control and the market as regulators, expedite the adjustment of the industrial structure and product mix, accelerate product turnover, and standardize and systematize the management of the national-level new product trial manufacturing and appraisal plan (hereafter abbreviated as the national-level trial manufacturing plan).

Article 2. The national-level trial manufacturing plan is a plan whereby the government guides and encourages enterprises and institutions to vigorously research and develop new products and regulates and controls on a policy level. It is the basis for the implementation of preferential policies in the areas of taxation, prices, credit, import subsidies, exporting and earning foreign exchange, materials, and tariffs. It is also the basis for the appraisal of outstanding new products by the state.

Article 3. The national-level trial-manufacturing plan shall be prepared each year by the State Science and Technology Commission jointly with the State Administration for Taxation, State Price Bureau, the Industrial and Commercial Bank of China, the Ministry of Materials, and the Office for the Import of Intellectual Resources of the State Council. They shall select from among new products developed by enterprises and institutions those that are consistent with national-level new products specifications.

Article 4. For the purpose of these regulations, new products refer to those scientific research-based products (brand-new products) whose manufacturing involves the application of new technical principles or new design thinking or improved products that show significant advances upon old products in structure, materials, or process, resulting in notably better performance or a broader range of applications.

These regulations do not apply to products that have been assembled using imported parts and components and that China is not yet producing, products that are purely accessories for the military industry, traditional arts and crafts, and products that only involve a change in design, external appearance, and packaging.

Article 5. New products shall be classified as either national-level new products or local new products depending on geography. New products developed and manufactured for the first time on a national basis shall be national-level new products. New products developed and manufactured for the first time in a province, autonomous region, and municipality directly administered by the central government shall be local new products.

Article 6. These regulations primarily apply to the new national-level civilian and industrial products developed by enterprises and institutions.

Chapter 2—Trial-Manufacturing, Appraisal

Article 7. The trial-manufacturing of a new product usually includes these stages: 1) set trial-manufacturing goals and draw up an implementation plan after conducting research and studies; 2) design and prototype (sample) development and appraisal; 3) pre-production trial-manufacturing, production, appraisal of the finalized design (going-into-production appraisal), and inspection upon delivery.

Article 8. New-product appraisal includes prototype (sample) appraisal, appraisal of the finalized design after trial-production (going-into-production appraisal), and inspection upon delivery. Prototype (sample) appraisal shall be conducted in accordance with "Scientific and Technical Achievements Appraisal Regulations of the State Science and Technology Commission of the People's Republic of China." Regulations for the appraisal of the finalized design (going-into-production appraisal) and for inspection upon delivery shall be drawn up separately.

Article 9. Projects incorporated into the national level trial-manufacturing plan normally involve new products that have undergone prototype (sample) appraisal or will undergo such appraisal that same year and have the capacity for batch process. Appraisal in the national level trial-manufacturing plan primarily refers to the appraisal of the finalized design after trial-production (going-into-production appraisal) or inspection upon delivery. Appraisal or inspection upon delivery shall be organized by the local science and technology commission and other pertinent departments jointly with departments in charge. Alternatively they may ask an interested unit to conduct it.

Chapter 3—Principles for Incorporating a Project in the Plan

Article 10. Projects in the national-level trial-manufacturing plan shall be consistent with the national industrial policy, technology policy, technical equipment policy, and the adjustment of the product mix as well as its direction of development, and have remarkable economic and social benefits. In compiling the plan, the agencies shall select new products that are trial-manufactured for the first time in the country and reach advanced domestic level (in the forefront of similar products in the nation), international level (the technical specifications of the product reach prevailing international standards or equal the advanced performance specifications of similar foreign products of the same decade) or advanced international level (in the forefront of similar industries or similar products in the world.)

Article 11. New products that meet any one of the following conditions shall be incorporated into the national-level new-product trial-manufacturing plan on a priority basis: 1) new products that support agriculture; 2) new products that are exceptionally successful in energy and raw material conservation, in the full utilization of resources, in the increase of transportation

capacity, and in the improvement of the ecological environment; 3) new products that can substitute for imports, can be exported to earn foreign exchange, and can increase the effective supply on the domestic market; 4) new products that are developed using Chinese (foreign) patents or the achievements of national (international) inventions and can fully utilize Chinese technology and resources; 5) new products that absorb, assimilate, and apply imported foreign advanced technology; 6) new products with a high added value resulting from the commercialization of high-tech research achievements.

Chapter 4—Project Reporting

Article 12. The scope of projects to be reported: 1) new-product projects incorporated in all the plans of the State Science and Technology Commission; 2) new-product projects incorporated in the trial-manufacturing plans and other S&T plans of pertinent ministries of the State Council; 3) new-product projects incorporated in all the plans of the S&T commissions of the provinces, autonomous regions, municipalities directly administered by the central government, and municipalities with provincial as well as S&T commissions at all levels; 4) new-product projects incorporated in all HQ plans of the People's Liberation Army as well as new civilian product projects developed by enterprises and institutions within the armed services; 5) new-product projects developed by enterprises using the patented technology of an institution, technology transfer, and S&T achievements, as well as new-product projects developed jointly by enterprises and institutions; 6) new-product projects developed by an institution on its own; 7) other new-product projects whose inclusion in the national-level trial-manufacturing plan is deemed necessary by a reporting locality or department.

Article 13. In order to make the most of preferential policies to regulate and control, units shall be allowed to report a project for incorporation in the plan during any one stage of the new-product trial-manufacturing process depending on the character and function of the preferential policy in question. A project whose major policy preference takes the form of tax cuts and tax exemption may be reported after the prototype (sample) is appraised (and is verified as having been appraised that year) and when it is being put on the market that year. As for a project where the main policy preference concerns loans, tariffs, and materials, it may be reported at the beginning of the trial-manufacturing process. However, it must be accompanied by a feasibility report.

Article 14. Reporting Procedures:

1. If the project belongs to a local enterprise or institution or if the project is developed as part of a plan issued by a locality, it shall be reported by the trial-manufacturing unit through the science and technology commission of the prefecture or municipality where it is located or the bureau or department in charge to the science and technology commission of the province,

autonomous region, municipality directly administered by the central government, and city with province-level economic decision-making authority (abbreviated hereafter as various localities for short) concerned. After preliminary review by the local science and technology commission, it shall be reported to the State Science and Technology Commission.

2. If the project is developed by an enterprise or institution directly under a ministry of the State Council or if the project is developed as part of the plan issued by a ministry, it shall be reported by the trial-manufacturing unit to the appropriate ministry, with a copy to the science and technology commission of the locality. Alternatively, it may be reported to the local science and technology commission. After a preliminary review by the ministry, it shall be reported to the State Science and Technology Commission.

3. A civilian product project developed by an enterprise or institution under the PLA may be reported to a HQ department in charge or the science and technology commission of its locality. After preliminary review, it shall be reported to the State Science and Technology commission.

4. New products developed on the basis of an invention patent shall be reported in accordance with the procedures outlined above. In addition, a report shall be sent to the China Patent Bureau after review by the patent agency of the locality or ministry involved. The China Patent Bureau shall assist in the review.

Article 15. Reporting Time Enterprises and institutions shall report to the local science and technology commission or the science and technology office of the appropriate ministry of the State Council before the end of January each year. The locality or ministry shall report to the State Science and Technology Commission before the end of February.

Article 16. Points of Attention When Making a Report:

1. A project already incorporated in the national-level trial-manufacturing plan shall not be reported again in whatever form. Projects with similar contents shall not be reported for inclusion in the national-level trial manufacturing and appraisal plan at the same time. Upon discovery, the projects involved shall be disqualified.

2. A report shall be accompanied by all necessary materials. In strict accordance with reporting requirements, a copy shall be sent to the State Science and Technology Commission. Materials required include a copy of the "National-level New Products Trial Manufacturing Plan Reporting Form," completed by the trial-manufacturing unit; an achievement appraisal certificate, if the project has already been appraised; a copy of the feasibility report, if the project has not been appraised; a copy of the patent, if a patent has been granted; and a copy of the invention award certificate, if an invention award has been won.

3. If a project is jointly developed by enterprises and institutions, it shall be reported jointly, starting the locality where the product is being marketed.

4. For new products with special requirements, such as drugs, food, pesticides, measuring instruments, and pressure containers, special permits or formal written approval from the department in charge shall accompany the reporting form. Otherwise, they shall not be accepted.

Article 17. All localities and ministries shall make an active effort to computerize the reporting, evaluation, and monitoring of new products. When conditions are ripe, a new product database shall be created and a "reporting forms" software shall be submitted annually. (Details to be worked out separately.)

Chapter 5—Issuing Evaluation Reports

Article 18. Evaluation shall be divided into three stages: preliminary evaluation by a locality or department, expert evaluation, and comprehensive evaluation.

1. Preliminary evaluation by a locality or department. This shall be the responsibility of the local science and technology commission or department. It shall put forward preliminary opinions on whether reporting requirements have been met, whether all required materials have been included and are valid, and whether it is consistent with the industrial policy, and the adjustment and direction of development of the product mix.

2. Expert evaluation. Experts from a variety of specialties, with the majority coming from the industry concerned, shall be hired to form a number of expert evaluation panels corresponding to the industries represented by the new products.

In their evaluation, the expert evaluation panels shall base themselves on the "new-product evaluation criteria system," which embodies the national-level new product criteria and evaluation principles, and grade the new products quantitatively in accordance with specific targets such as their level of technology (innovativeness, advanced nature, and dependability,) and social economic benefits, thereby identifying new products that conform with the national policy and meet national-level requirements in order of priority.

3. Comprehensive evaluation. An evaluation leading group comprising the State Science and Technology Commission, State Administration for Taxation, State Price Bureau, the Industrial and Commercial Bank of China, Ministry of Materials, the Office for the Import of Intellectual Resources of the State Council, and the State Technology Supervision Administration shall be formed to be responsible for the organization and coordination of evaluation work, establish evaluation principles, carry out policy evaluation, and iron out differences all round.

Article 19. Upon completion by the State Science and Technology Commission, State Administration for Taxation, the State Price Bureau, the Industrial and Commercial Bank of China, the Ministry of Materials, and the Office for the Import of Intellectual Resources of the State Council, the national-level trial-manufacturing plan shall be issued by the State Science and Technology Commission to all local science commissions, personnel bureaus, labor bureaus, materials bureaus, offices for the import of intellectual resources, tax bureaus, price bureaus, branches of the Industrial and Commercial Bank of China, and pertinent ministries of the State Council for their implementation.

Chapter 6—Preferential Policies

Article 20. Based on the national-level new product trial manufacturing plan and in accordance with regulations pertaining to tax cuts and tax exemptions for new products, the State Administration for Taxation shall compile and publish a list of national-level new products that will enjoy tax cuts and tax exemptions. It shall also formulate detailed regulations on exemption from the product tax and value-added tax.

Article 21. The trial marketing period for new products in the category of capital goods incorporated in the national-level trial manufacturing plan and with government-set prices shall be 3 years and that for new products in the civilian consumer goods category shall be 2 years. In the case of a major new product that is technologically more complex and has a relatively long trial-manufacturing period, the ministry in charge may apply for an appropriate extension of the trial-marketing period. The State Science and Technology Commission shall see that the extension fits in with other things and the State Price Bureau shall give its approval. Except for special products whose prices have to be set by the Price Bureau, enterprises and institutions may set trial-manufacturing prices based on trial-manufacturing costs and taking into account the prices of similar products and shall report the prices to the price agency at the same level as well as the department in charge for record purposes. After the trial-marketing period is over, the department in charge shall make proposals on prices in accordance with established price-setting principles provided it is within its price control authority and report them to the price bureau which will decide on a formal price.

Article 22. The Industrial and Commercial Bank of China shall use the national-level trial-manufacturing plan as a guide when it makes S&T development loans. Industrial and commercial banks everywhere shall give priority to projects in the national-level trial-manufacturing plan when they fund projects in accordance with policies relating to S&T development loans. When an enterprise, a development-oriented scientific research institution, an organization combining scientific research with production, or an institution that practices independent accounting requires working capital loans for the trial-manufacturing of a key new product, the bank shall give it strong support, the availability of credit funds permitting.

Article 23. If a new product in the national-level trial manufacturing plan can substitute for an import, is comparable to similar imported products in performance and quality, is at least 70 percent domestically made, has batch process capability, and can basically satisfy domestic demand, priority shall be given to limiting the import of similar products in accordance with relevant national regulations.

Article 24. When the foreign exchange earnings of an exported new product in the national-level trial-manufacturing plan exceed the contract base figures, the enterprise or institution that undertakes its trial-manufacturing shall retain the extra earnings in accordance with state regulations governing the retention of foreign exchange earnings in excess of the base figure.

Article 25. All ministries and all local materials departments shall give strong support to projects in the national-level trial-manufacturing plan that make parts and components for key state projects by supplying them with the materials needed in accordance with existing materials regulations.

Article 26. When a project in the national-level trial-manufacturing plan requires imported materials, components, and processed products, the case shall be handled in accordance with appropriate regulations governing processing with imported materials and shall be given every convenience possible.

Article 27. Each year the State Science and Technology Commission shall select from the national-level trial-manufacturing plan a number of projects that require the despatch of personnel overseas for training or the import of personnel from abroad. After review by the Office for the Import of Intellectual Resources of the State Council, the personnel office, or other department concerned, the projects shall be incorporated in the national plan for the dispatch of people overseas for training and the plan for the import of foreign qualified personnel.

Article 28. People directly involved in the design, trial-manufacturing or management of projects in the national-level trial-manufacturing plan who have made outstanding contributions shall be given priority in the award of bonuses, promotions, and pay raises. Detailed regulations shall be determined in accordance with the appropriate regulations of the Ministry of Personnel and the State Science and Technology Commission. If the individual involved works for an enterprise, the case shall be handled in accordance with its regulations concerning employee reward and punishment.

New products of a scientific research type shall enjoy priority in receiving more preferential treatment.

Chapter 7—Implementation

Article 29. The national-level trial-manufacturing plan shall be handed down to the various localities and ministries for their implementation. 1. Working jointly

with agencies in charge of personnel, labor, and materials, the office for the import of intellectual resources, the tax bureau, the price bureau, the technology supervision office, and the Industrial and Commercial Bank of China, the local science and technology commission shall be responsible for the implementation of all preferential policies. If a department has submitted a project, it (or a local office or bureau concerned) shall assist the local science and technology commission in carrying out the project.

2. The reporting locality or department shall examine the progress of trial-manufacturing at regular intervals and make sure that it achieve the expected goals.

3. When a project has completed trial production, the local science and technology commission shall organize the appraisal of the finalized design (going-into-production appraisal) or inspection upon delivery and determine whether the project is equipped for batch process and ready to go into production.

4. All localities and ministries shall prepare a written summary of how the project is being implemented in the first quarter of the second year and complete the "project implementation form," sending copies to the State Science and Technology Commission, Ministry of Personnel, Ministry of Labor, Ministry of Materials, the Office for the Import of Intellectual Resources of the State Council, the State Administration of Taxation, State Price Bureau, State Technology Supervision Administration, and the Industrial and Commercial Bank of China for 3 consecutive years. The summary shall include the following: 1) implementation and effects of the preferential policy; 2) progress and benefits of the project in trial-production; 3) its important role in the adjustment of the industrial structure and product mix and in the development of the industry, its impact on local key industries, local economic development, markets, and profitability; 4) major problems and suggestions.

Article 30. All localities and ministries shall promptly report to the departments concerned all problems encountered in the implementation of the nation-level trial-manufacturing plan.

Chapter 8—Supplementary Articles

Article 31. These regulations shall take effect on the day of promulgation.

Article 32. Using these regulations as a reference, the science and technology commissions of the provinces, autonomous regions, municipalities directly administered by the central government, and cities with province-level economic decision-making authority may draw up corresponding local new-product trial-manufacturing plans (or other similar plans) jointly with agencies in charge of personnel, labor, and materials, the office for the import of intellectual resources, the price bureau, the technology supervision office, and the Industrial and Commercial Bank, in light of the actual conditions in the locality.

Article 33. These regulations shall be interpreted by the State Science and Technology Commission, the Ministry of Personnel, the Ministry of Labor, the Ministry of Materials, the Office for the Import of Intellectual Resources, State Administration of Taxation, State Tax Bureau, State Technology Supervision Administration, and the Industrial and Commercial Bank of China.

17 October 1990

Hebei Reviews Industrial Production Strategy

91CE0183A Shijiazhuang HEBEI RIBAO in Chinese
18 Nov 90 p 1

[Report: "Hebei's Industrial Recovery in October Is Hard-earned; Fulfilling the Annual Task Needs More Hard Work"]

[Text] It is reported that Hebei Province's industrial production has picked up. At the end of October, reporters saw on the production report of the Hebei Provincial Statistics Bureau: In October, the gross output value of industries at and above the township level in Hebei Province was 6.691 billion yuan in current price and 4.538 billion yuan in constant price, an increase of 1.9 percent as compared to the previous month, an increase of 9.2 percent as compared to the same month of the previous year, and a record high in production in 1990. Compared with September, the increase in October was 1.9 percent, which does not appear to be outstanding. But it was won through numerous difficulties. It was hard-earned and resulted from joint efforts at all levels.

The provincial conference on industrial and transportation production, which was held by the provincial government on 25 August, and the meeting of prefectural and city CPC secretaries, commissioners, and mayors, which was held by the provincial CPC committee on 5 October, clearly set forth the principle of considering industrial production as a general war. After these two meetings, a favorable situation of organizing "the great chorus of economic construction" soon appeared in various prefectures and cities. Shijiazhuang Prefecture's 16 departments have adopted over 100 rules and measures to support industrial production and Shijiazhuang City's various departments have adopted 89 measures. All departments have participated in the general war of industrial production and given moral support to the cells of the grassroot organizations of industrial production—enterprise managers—thus creating better external conditions.

In October, Hebei province further strengthened leadership over production, established a general production management office, and assigned two vice chairmen of the provincial planning and economic commission to take charge of production. The general production management office strengthened the management of major prefectures, cities, industries, enterprises, and products, emphasized the management of key enterprises of 35 major units for tax payment and profit delivery, and

conducted daily management of 17 large cotton mills. All prefectures and cities also adopted separate measures to strengthen production management work, thus safeguarding the stability of production.

By analyzing production reports, reporters discovered: As far as prefectures and cities are concerned, the growth of Qinhuangdao was faster because projects of the development zone had been put into operation one after another and yielded returns. This shows that as long as there is input, there will be output and staying power. As far as industries are concerned, the growth of the light industry remained negative in the first 8 months and was even in the month of September. But in October, it rose rapidly, showing an increase of 9.2 percent over September and an increase of 11.8 percent over the corresponding period of the previous year. Why? The key is that they emphasized the market start-up work and used sales of matches, white wine, soap, general hardware, and famous-brand and good-quality products to promote their production with great results.

The stockpiling of products is a major factor affecting Hebei's industrial production this year. Because of this, the provincial government and various prefectures and cities adopted a series of measures to enliven the sales. As of the end of October, Hebei's budgetary enterprises made 24.383 billion yuan of sales, a decline of 3.02 percent from the corresponding period of last year. Since the increasing trend of capital use by finished products was controlled, the accumulated amount of capital used by finished products declined 8.14 percentage points as compared to the end of last month.

In addition, the increases of tobacco, medicine, national defense industry, metallurgical industry, and farm machinery were fairly substantial. One reason is that efforts have been made to stress the readjustment of product mix. Another reason is that great efforts have been made to control product quality. Under the prerequisite of controlling total output, the tobacco industry increased the production of filtered and class-A cigarettes. As a result, the stock of Hebei's three cigarette factories not only did not increase but declined 0.3 percent as compared to the corresponding period of 1989. The machine industry emphasized the development of quality aid-agriculture products, and the supply of small tractors, motorized threshers, small swathers, farm sprayers, and farm machinery parts could not meet their demand. "The market expands as the quality gets better." Staff and workers of many enterprises further enhanced their awareness and concept of quality and actually showed it in real work.

But we must not be blindly optimistic. In October Hebei Province's total industrial output value showed an increase of 9.2 percent over the corresponding period of 1989. Although the increase rate was great, we must not ignore the fact that our province's basis was fairly low. Moreover, our province's increase rate was lower than the national average level compared either to September or 1989. Some products such as gauze, raw coal, crude

oil, chemical fertilizer, major building materials, and some machinery were still on the decline. To fulfill Hebei's production tasks for this year, there is still a formidable amount of work left to be done and the situation is still grim.

According to the forecast of the departments concerned, Hebei province's production situation in November will be better than that in October. The fourth quarter has always been a golden period for production. It is also a period in which the new year replaces the old. Now there is only 1 month left for production in this year. It is a critical moment. We need to recognize the favorable situation, value precious time, and strive to work hard to better fulfill this year's production task and prepare for next year's production. We should believe that "success lies in our repeated efforts."

Anhui Outlines Major Industrial Development Plans

91CE0183B Wuhan JINGJI XINXI BAO in Chinese
15 Nov 90 p 1

[Report: "Anhui Province Speeds Up the Tempo of Development in the Anhui-Jiangsu Area"]

[Text] Currently Anhui Province is speeding up the tempo of development and opening up in the Anhui-Jiangsu area and has worked out the outlines for the development of this area.

The focal points of the development of processing-type industries are petrochemical, machine-building, electronic, light, and textile industries.

The petrochemical industry should expand the Anqing Petrochemical Industrial Base, build the acrylonitrile and acrylic fiber industry and ordinary decompression and catalytic projects, develop synthetic materials, and increase oil refining ability while doing a good job in local supplementary and extensive processing industries.

The machine-building and electronic industry should emphatically develop machinery and electronic products for exports, products that combine mechanical and electronic products with instruments and meters, and other technologies and equipment for the national economy. Wuhu City should stress the development of products of the machine-building industry and electronic materials such as electrical machinery, instruments, meters, numerical-controlled machine tools, and industrial boilers. Maanshan City should develop steel and iron processing and do a good job in building the magnetic material base. Tongling City should develop products in the categories of electronic consumption and investment and build copper belt and polyester stretch film production lines. Anqing City should emphatically develop internal combustion engines and mechanical products and special electronic components needed for machinery across the province.

The light and textile industries should stress the export-oriented development of products. In the light industry, Wuhu should focus on a series of paperboards used for packing, plastic packaging materials, glassware for daily use, food, and beverages. Anqing should focus on chemical products for daily use, leather products, export hardware, and papermaking. Maanshan and Tongling should focus on hardware and household electrical appliances. In the textile industry, efforts should be made to transform and upgrade cotton mills in Anqing and Wuhu and develop flax and chemical fiber plants in Tongling, woollen mills in Anqing, and silk plants in Anqing and Wuhu. In the development of the clothing industry, Wuhu should focus on silk clothing and velvet products; Tongling should focus on ramie clothing and top-quality underwear; and Anqing should focus on leather clothing.

The focal points of the development of resource-type industries are metallurgical, chemical, and building-material industries.

The metallurgical industry should emphatically develop copper mines along the Changjiang river in Tongling and Anqing and gold mines in Tongling. Efforts should be made to develop steel, iron, and copper smelting and processing and strive to build the Maanshan Iron and Steel Company into a complete super-sized iron and steel complex, the Tongling Nonferrous Metal Company into a large copper complex, and Wuhu into a copper smelting and processing center.

The chemical industry should develop chemical products used as basic raw materials with emphasis on Tongling and Maanshan's acid and Wuhu's alkaline production capacity. Vigorous efforts should be made to increase the variety and capacity of refined chemical products.

The building-material industry should vigorously develop nonmetal mines and do a good job in comprehensive utilization, including the in-depth development of Anqing's marble and granite and the mining of Tongling's limestone and bentonite. It should also expand the production of bulk cement with Tongling and Wuhu as the focus of distribution and vigorously develop new building materials. Wuhu and Tongling should focus on floor tiles, Anqing should focus on face bricks and marble, and Maanshan should focus on wall paper and fiber glass.

Background of Country's Largest Polyester Plant

91CE0187A Beijing ZHONGGUO FANGZHI BAO
in Chinese 19 Nov 90 p 1

[Article: "Dazzling Orbit—A Brief Account of the Building of the Yizheng Chemical Fiber Project"]

[Text] The Yizheng chemical fiber project was a key project that the state imported during the Sixth and Seventh Five-Year Plans in order to develop the chemical fiber industry, reduce the amount of foreign exchange spent imports, and satisfy market demand.

This exceptionally large, key chemical fiber enterprise was the first project using loans during the new period of reform and opening to the outside world. Total project investment was 2.9 billion yuan. This included three main polyester fiber plants and attendant water, electric power, steam, and gas utility projects, as well as associated projects. The polyester fiber plants use benzene para-decarboxylic acid and ethylene glycol as their main raw materials, and produce short fibers of cotton-like polyester fiber and polyester slice. They are equipped with eight polyester production lines and 16 spinning production lines with an annual polyester production capacity of 500,000 tons. The polyester equipment was imported entirely from the West German Jima [0679 3854] Company. It uses direct esterification and continuous condensation polymerization technology. It has a single-series daily production capacity of 200 tons, the largest in China. Some spinning equipment and technology was imported from the Japanese Toyo Company, which employs direct spinning from melt, each line having a daily output of 50 tons. TDC-200 and the TDC-3000 concentrated dispersal type [jizhong fensan xing 7162 0022 0433 2414 0992] computer systems are used for control, and industrial closed circuit television is used for monitoring for a high degree of automation. All of the equipment is at the international level of the late 1970's and early 1980's and is in the forefront of technology in China.

Site selection and surveys for this project were done in 1977, and construction preparation began in 1978. Subsequently, the project went through a tortuous process of construction halts and delays. In June 1981, the State Council approved the resumption of construction. A plan was decided upon that called for funding from within China and loans from abroad, centralized planning, and construction by stages. This rescued the project by using the approach of borrowing to build the plants, responsibility for administration, and active contributions to the country.

The Yizheng chemical fiber project was divided into two stages. The first stage, in which work on the No 1 Polyester Plant and associated projects was formally begun in 1982, took three years of arduous pioneering efforts. By the end of 1984, raw materials were successfully fed into the polyester slice production line. Next came the sub-line feed and trial production stage. By the end of 1987, full production capacity was reached. In September 1988, the state completed inspection preliminary to acceptance without a hitch. Construction of the first stage of the project was fast, of good quality, saved on investment, and stayed within the budget, with a slight surplus remaining. The No 1 Polyester Plant, the heart of the project, received a first-class national premium project merit citation, and a first-class Ministry of Textiles premium project citation. The associated thermal power plant system pipeline project was also awarded a first-class Ministry of Textiles premium project merit citation. A national commendation was also given for the domestically produced, 15,000 ton

capacity spinning equipment, whose production was a key project in the Seventh Five-Year Plan.

The project's second stage dovetailed closely with the first stage. Its main elements included the No 2 and No 3 polyester plants and expansion of the associated public utility projects. After the No 1 Polyester Plant began inputting materials into trial production, construction of the No 2 Polyester Plant, the main component of the first increment of the second stage project, began in January 1985. In September 1987, it produced products meeting specifications and began sub-line inputting trials. In 1989, it went into full trial production. Work on the No 3 Polyester Plant began during the second increment of the second stage in July 1987, and in 1989 inputting trials of seven polyester units began. On 13 October 1990, inputting of materials into another eight polyester units was successful, and the equipment producing polyester slide met specifications. This marked the Yizheng chemical fiber project's full completion and entrance into production; it was a full 14 months ahead of the state's construction plan schedule. The second stage of the project was built faster, was of better quality, and showed a higher level of Chinese manufactured equipment than did the first stage. After allowing for price factors, the goal of not exceeding the total investment budget was realized.

Today the Yizheng chemical fiber base has an installed production capacity of 496,000 tons annually. This includes 252,000 tons of polyester slice, 240,000 tons of short polyester fiber, and 4,000 tons of hollow core and solid coiled fiber. Its output amounts to approximately one-third of the country's total chemical fiber output, and one-half of the country's polyester output. Its output equals one-eighth of national cotton output, making this the country's largest chemical fiber production base at the present time. It occupies a crucial position and plays a crucial role in the textile industry, and it carries major responsibilities.

Liaoning's Achievements in Metallurgical Industry

*SK2512140890 Shenyang Liaoning Provincial Service
in Mandarin 2300 GMT 21 Dec 90*

[Text] During the Seventh Five-Year Plan period, the total output value of our province's metallurgical industry reached more than 50 billion yuan, an increase of more than 13 billion yuan over the Sixth Five-Year Plan period. The output of steel, pig iron, and iron ore increased by a fairly large margin over the Sixth Five-Year Plan period. During the Seventh Five-Year Plan period, our province has also achieved noticeable results in the technical transformation of the metallurgical industry. During the past five years, approximately 11 billion yuan were invested in transformation and expansion projects, an increase of 2.5 times over the technical

transformation investment during the Sixth Five-Year Plan period. During the past five years, our province's metallurgical industrial enterprises created more than 900 scientific and technological achievements, of which approximately 200 items were advanced enough to meet international standards. The metallurgical enterprises across the province created a total of \$516 million of foreign exchange in five years, an increase of 22.8 percent over the Sixth Five-Year Plan period. About one-fourth of the products turned out by metallurgical enterprises entered the international market.

November Gross Industrial Output

HK0301090191 Beijing CEI Database in English
3 Jan 91

[Text] Beijing (CEI)—Following is a list China's total industrial output value in November 1990, released by the China State Statistical Bureau.

	(in 100 million yuan)		
	1-11/90	11/90	11/89
Total	12,376.4	1,260.0	1,096.0
Including:	Export products	1,437.3	146.0
Light ind.	6,266.8	657.6	555.8
Heavy ind.	6,109.6	602.4	504.2
State	7,497.0	744.6	680.2
Collective	4,134.2	433.2	367.5
Others	745.2	82.2	48.3

(industrial output value is measured in 1980's constant yuan)

Jilin Industrial Production Achievements Reported

SK0801125991 Changchun Jilin Provincial Service
in Mandarin 2200 GMT 7 Jan 91

[Summary] The industrial enterprises of Jilin province, despite various difficulties, also scored achievements in production in 1990. According to initial statistics, the annual accumulated output value of the industrial enterprises at or above the township level reached 32.179 billion yuan, a one percent increase over 1989. They also made progress in readjusting product mix, upgrading product quality, and in exporting their products to foreign countries. The annual output value scored by the industrial enterprises in their fine-quality products reached 9.808 billion yuan, a 2.9 percent increase over 1989. The rate of output value of fine quality products showed a 0.6 percentage point increase over 1989. The annual output value scored by the industrial enterprises in their exported products reached 1.541 billion yuan, a 33 percent increase over 1989. The rate of output value of exported products reached 4.8 percent and showed a 1.2 percentage point increase over 1989.

Sichuan Continues Construction of High-Tech Zone

OW0801144691 Beijing XINHUA in English
1305 GMT 8 Jan 91

[Text] Chengdu, January 8 (XINHUA)—Construction of the new and high-technology development zone in Sichuan Province's capital city of Chengdu is currently well under way.

A building covering 6,200 sq m has just been completed in which pilot experiments will be conducted on newly developed technological products.

Construction of the development zone, located in the city's southern suburbs, started two years ago and is projected to be completed by the year 2010.

Once completed, the 24.6 sq km zone will house projects connected with optical fiber communications, micro-electronics, biological engineering, nuclear power, precision machinery and other high-technology items.

To date, 240 million yuan has been put into building the zone. The 22 enterprises already constructed within it produced 520 million yuan of output value last year. However the figure is expected to be increased to one billion in 1995 when the development zone's first-phase construction is completed.

Industrial Production Rises in Beijing

OW0901093891 Beijing XINHUA in English
0759 GMT 9 Jan 91

[Text] Beijing, January 9 (XINHUA)—Beijing's industrial output value topped 46.98 billion yuan last year, up 5.4 percent over the previous year.

The figure exceeded the five percent growth target set by the state for 1990.

The city's statistics bureau reports that industrial production dropped early in the year, but maintained a steady increase from April through the end of the year.

Due in part to readjustments in product structure, the city's energy and raw material industries maintained steady production, while the production of iron and steel, finished steel products, ferroalloy, coke and plastics registered dramatic increases over the previous year.

The total industrial output value of Sino-foreign joint ventures and individually owned enterprises last year rose by 59.3 percent, reaching 3.45 billion yuan. Industrial enterprises produced export products valued at over 3.67 billion yuan, 23.7 percent more than the previous year.

Textile Industry Biggest Dollar Earner in 1990

OW0701165391 Beijing XINHUA in English
1546 GMT 7 Jan 91

[Text] Beijing, January 7 (XINHUA)—The textile industry was still China's biggest dollar earner in 1990, which was the fifth consecutive year, according to sources at the Ministry of Textile Industry. Minister Wu Wenying told a national conference on textiles today that China's textile export income last year is expected to reach 13.5 billion U.S. dollars, up by 3 percent over the previous year and making up one-fourth of the country's export total.

The total output value of the industry was expected to be 134 billion yuan in 1990, she said, about the same as that of the previous year.

The nationwide efforts to improve textile quality have paid off, said Wu. Statistics show that the proportion of quality cotton cloth and polyester cotton plain and dyed cloth for export improved 2 to 3 percent last year, and more than 85 percent of the exported cotton cloth from Shanghai, Beijing, Tianjin and Hebei Province was well up to the standard.

More higher-value textiles were sold to other countries last year, according to Wu. The export income from ready-made garments is expected to reach 6.5 billion U.S. dollars last year, an increase of 11 percent, making up 48 percent of the total textile export.

The past five years saw the rapidest development of China's textile industry ever, with average annual growth of 6.9 percent in output value and 20.7 percent for exports, she said.

However, the equipment and technology of the industry are still far from advanced, Wu said, adding that the economic returns of the industry went down formidably last year, because of price increases of raw materials.

The country will start readjusting the distribution of the factories of the industry, especially those in coastal areas, for a more rational use of textile resources, according to the minister.

Liaoning Materials Supply Group Established

OW0801174991 Beijing XINHUA in English
1559 GMT 8 Jan 91

[Text] Shenyang, January 8 (XINHUA)—The Liaoning Materials Supply Group of Companies was founded today in this capital of Liaoning province, northeast China, as part of the efforts to reform the system of materials marketing.

The company aims to establish an efficient and smooth system for the flow of production materials on the basis of public ownership.

In addition to supplying major production and necessary living materials for its clients, the company will provide assistance for import and export businesses.

It will render services mainly to large- and medium-sized businesses and large projects.

The setting up of the company was approved by the Ministry of Materials and Equipment, the state commission for restructuring the economy and the state council's research center for economic, technological and social development.

Sichuan's Chongqing Plans High-Tech Industrial Zone

OW0901115091 Beijing XINHUA in English
0844 GMT 9 Jan 91

[Text] Beijing, January 9 (XINHUA)—Chongqing City, southwest China's Sichuan province, plans to establish a hi-tech industrial development zone.

The zone, which will cover 45 square kilometers, will be located in the city's scientific and technological development zone, according to today's overseas edition of the PEOPLE'S DAILY.

The scientific and technological development zone, which is located in the city's Shapingba District, was founded in 1988 and is the home of most of the city's universities, colleges and scientific research institutes.

Enterprises in the 117 square kilometer zone have earned over 110 million yuan (22 million U.S. dollars), during the past two years, through the development of scientific research items.

The new high-tech industrial zone will stress the development of electronic, telecommunications, and biological engineering products, as well as new materials and energy related items.

The city plans to build 10 to 20 enterprises which will have an annual production value in excess of one million yuan. The new enterprises are expected to earn over 100 million yuan in 1991.

1990 Output of Light Industrial Products

HK1001105391 Beijing CEI Database in English
10 Jan 91

[Text] Beijing (CEI)—following is a list of the output of China's light industrial products in 1990, released by the State Statistical Bureau:

Item	Unit	1990	1989
Bicycle	10,000's	3140.85	3672.33
Sewing machine	10,000's	723.83	925.60
Watch	10,000	8082.5	6403.0
TV set	10,000's	2662.43	2701.30
color TV	10,000's	1022.79	937.92
Video recorder	10,000's	3.86	
Radio	10,000's	1917.74	1623.07
Tape recorder	10,000's	2970.03	2245.51
Washing machine	10,000's	652.64	826.22
Camera	10,000's	189.85	229.65
Fan	10,000's	5451.99	4792.00
Refrigerator	10,000's	475.44	662.10
Sugar	10,000t	570.89	496.48
Salt	10,000t	1984.2	2802.4
Cigarette	10,000c	3289.5	3195.6
Beer	10,000t	669.10	623.89
Liquor	10,000t	470.39	398.66
Canned product	10,000t	146.04	205.30
Feed	10,000t	2367.69	2376.27
Machine-made paper and kraft	10,000t	1143.82	1137.35
of: news print	10,000t	36.15	30.16
anastatic printing paper	10,000t	57.91	70.79
Synthetic detergent	10,000t	148.44	143.20
Daily fine aluminium products	t	72715	79244
Plastic product	10,000t	318.77	307.36
farming film	10,000t	33.08	39.20
Bulbs	100mpc	24.83	19.76

notes: m.m.—million meter, c.m.—cubic meter, pc piece,

c—cases, t—ton, s—set

SMALL-SCALE ENTERPRISES

Fujian Further Develops Exporting Township Enterprises

91CE0193D Fuzhou FUJIAN RIBAO in Chinese
21 Nov 90 p 1

[Article by Chen Biao (7115 2871): "Fujian Province Is Taking New Steps To Develop Externally Oriented Township Enterprises; Responsible Departments Are Laying the Groundwork for Better Enterprise Performance, by Promoting a Chain of Cooperation Between Coastal and Mountain Areas"]

[Text] While Fujian Province used to have only a few township enterprises in the Longyan area that "transformed natural resources" into export products, it has achieved good results by beginning, in the last half of 1990, to establish "market-oriented" enterprises that "look abroad for both raw materials and markets" and produce products, such as bags, conductive rubber, and high-precision optical lenses. These grafted on, new-growth enterprises were introduced through string-pulling and bridge-building by Jinjiang County and the Fujian Township Enterprise Bureau, and are demonstrating a new age of good cooperation between coastal and mountain areas.

Externally oriented township enterprises in Fujian's coastal areas had already developed to a fairly high level by the 1990's. Although there are now over 400 enterprises with delivered export values of more than 1 million yuan each, and over 100 enterprise groups and complexes that produce mostly high-grade, name-brand products and that are centered in key enterprises and oriented toward export earnings, almost all of these key enterprises and enterprise complexes are concentrated in coastal areas. Some of the coastal counties and prefectures that developed township enterprises earliest are unable to handle certain foreign export projects and have had to shift to other low-grade products, while inland mountain areas that have rich resources, lower labor costs, and people with a lot of enthusiasm for developing externally oriented economies are "hungry," but "unable to learn the ropes." Thus, how to enable both areas to supplement each other's weaknesses with their respective advantages, and how to promote regional economic alliances between coastal and mountain areas have become key issues in the coordinated development of Fujian's externally oriented township enterprises.

The provincial departments in charge of township enterprises have adapted to developing circumstances, made better service their priority, and devoted their energies to laying the groundwork for better enterprise performance. They have changed their past string-pulling form of "blasting away separately at each issue as it arose," by building permanent bridges throughout Fujian, such as the "Coastal and Mountain Area Group," the "Externally Oriented Economy Project Coordination Group," and the "Overseas Liason Group." Organizationally and administratively, this

has encouraged externally oriented township enterprises in coastal areas to reach out to inland areas, by using their coastal advantages, such as technology, funds, information, and marketing expertise, to develop economic cooperation with inland mountain areas, and to set up bases to process agricultural sideline products and produce raw materials needed for industrial goods. At the same time this encourages inland mountain areas to open windows to coastal areas, run joint ventures, and develop labor exports, by training talented personnel, accumulating starter funds, and stimulating markets. The "Externally Oriented Economy Project Coordination Group" has special responsibility for service management tasks, such as assimilating foreign investment project plans and reserves, holding trade talks, receiving imports, signing contract agreements, finding necessary funds, and coordinating work. The "Overseas Liaison Coordination Group" is responsible for developing exchanges and cooperation with neighboring provinces and cities, and for taking active steps to enhance exchanges and cooperation with units concerning foreign affairs or foreign nationals, such as Taiwanese- or overseas Chinese-run enterprises and foreign economic relations and trade units. Moreover, it is responsible for staying in close contact with a number of "the three kinds of overseas compatriot" friends and winning over overseas Chinese; using a combination of attracting Taiwanese business with overseas Chinese or Taiwanese contacts and attracting overseas business with Taiwanese contacts; organizing externally oriented township enterprises to hold foreign and border trade sales exhibition talks, steadily enhancing the capabilities of Fujian's township enterprise externally oriented economy to radiate outward domestically and internationally, and promoting good economic development in our coastal and mountain areas.

Township Enterprises Contribute to Development

*OW1101153991 Beijing XINHUA in English
1311 GMT 11 Jan 91*

[Text] Beijing, January 11 (XINHUA)—In the past five years, the increase of China's rural industry accounted for 31.5 percent of the net increase in China's social output value, said Chen Yaobang, vice minister of agriculture today.

Addressing the National Conference on Rural Industry which opened today, the vice minister said that the share of the total national social output value contributed by rural industry has risen from 16.6 percent in 1985 to 25 percent in 1990, whereas the share of the country's total industrial output value from these enterprises has risen from 18.8 percent to 30 percent during the same period.

These figures reveal that rural industry has been playing an increasingly greater role in China's social economic development, and that the rural enterprises have become the main sources for state revenue and farmers' increased incomes, Chen said.

According to the vice minister, the hard currency earned by these enterprises has increased from 14 percent of the country's total in 1985 to 21.6 percent in 1990. In addition, they have provided jobs for 22 million rural

surplus laborers, accounting for 57.6 percent of the total increased employment opportunities in the past five years, Chen said.

CONSTRUCTION

Anhui Develops Key Construction Projects

*OW0401070391 Hefei ANHUI RIBAO in Chinese
26 Dec 90 p 1*

[By Xu Kejia (6079 0344 1367) and Lu Wenzhang (6424 2429 4545)]

[Text] During the Seventh Five-Year Plan, while the state has curtailed the scale of capital construction, controlled the total amount of investment, and appropriately adjusted the production structure, our province has geared up the construction of key projects (including key projects planned by the state). Initial statistics reveal that a total of 6.584 billion yuan has been appropriated for key construction projects during these five years. This is more than 37 percent of the total investment in capital construction projects owned by all people in the province. The actual amount that has been invested so far is 6.655 billion yuan [figures as published].

During the past five years, 59 key construction projects have been planned. Of these, 43 projects and single-item projects [dan xiang gong cheng 0830 7309 1562 4453] have been fully or by and large completed. This means 73 percent of the planned projects have been put into operation. The fixed assets that have come into existence through the construction of these projects are valued at 5.5 billion yuan. Of the 43 projects fully or by and large completed, 16 are energy and transport projects; six are in the field of raw and semifinished materials industries; 12 are related to scientific research, education, culture, public health, or athletics; and nine are textile and other light industrial projects. New installations and production capacities resulting from these projects are as follows: 1.6 million kilowatts of power-generating capacity, 551 km of 500,000-volt high-tension power transmission lines, 4.5 million metric tons of coal per annum, and 354 km of railroads. Other annual production capacities resulting from these construction projects are: 1.5 million metric tons of plate glass, 40,000 metric tons of white cement, 15,000 metric tons of alcohol, 60,000 metric tons of soda ash, 60,000 metric tons of ammonium chloride, 120,000 metric tons of ammonium phosphate, 7,000 metric tons of wine, 100,000 metric tons of beer, 100,000 metric tons of salt, 10,000 metric tons of paper, 30,000 cubic meters of shaving boards, 2,000 metric tons of long-filament polyester fiber. In addition, there are 330,000 square meters of new buildings for scientific research and education purposes, 600 new hospital beds, one new medium-sized gymnasium, and one new medium-sized theater.

The completion of the key construction projects during the Seventh Five-Year Plan has not only filled the gaps in the production of some products and strengthened the basic and leading industries in our province, but also played a positive role in adjusting its investment composition and production structure. It will also have a positive effect on opening up and developing new markets and promoting the coordinated development of our province's economy.

COMMERCE

Methods To Reform State-Owned Commerce Viewed

HK2212063590 Beijing GONGREN RIBAO in Chinese
23 Nov 90 p 3

[Article by Wan Dianwu (8001 0368 2976): "Thoughts on Deepening State-Owned Commercial Enterprise Reform"]

[Text] First, the changes in the operational mechanisms of state-owned commercial enterprises have become a major difficult point in the course of deepening reform.

At present, the business of the collective and individual commercial enterprises in our country is more vigorous and flexible and has stronger adaptability than the state-owned commerce, as the former is better suited to the needs of the commodity economy and to market competition. If no major reform is carried out in the operational mechanisms of state-owned commercial enterprises, it would be hard to prevent their business stagnation and even shrinkage. Then, how should reform be carried out in order to maintain the socialist public ownership system in state-owned commercial enterprises and also make them full of vigor and dynamism and enable them to grow continuously in market competition? Through more than 10 years of explorations on reform, no successful way by common consent has been found yet. A small number of comrades were doubtful about the possibility of increasing the vigor and dynamism of the state-owned commercial enterprises through reform, and thought that they would never shake off the disadvantages of these "official merchants." Some comrades who had been engaged in commercial work for a long time also were also somewhat doubtful about the fundamental reform schemes, as they merely thought in light of their work experience. In particular, when the reform encountered some difficulties, they would tend to resume the old practices. We hold that as long as appropriate operational mechanisms are found to bring about a new form of public ownership for state-owned commerce, it is completely possible to make their business full of vigor and dynamism. Doubts and nostalgia will do nothing good for the development of state-owned commerce.

The main task in the reform of state-owned commercial enterprises is, in essence, to explore, seek, and establish new operational mechanisms or a new enterprise system

which enables the enterprises to do business in a flexible way, to lay stress on business results and development, and to serve society. However, this is also a major difficulty in reform. The is because, on the one hand, we need to seek and discover rather perfect operation mechanisms for the enterprises under the premise of maintaining public ownership; on the other hand, in order to establish the better mechanisms and set them in motion, we also need to do arduous work in removing the old and introducing the new and this may affect things in various aspects. Therefore, making a decisive breakthrough in this difficult aspect of changing the business operational mechanisms is one of the key points in deepening the structural reform of state-owned commercial enterprises.

Second, comparing the leasing system, the contract system, and the joint-stock system in the state-owned commercial enterprises.

In the last two to three years, we carried out special research to compare the actual business operation of the leasing system, the contract system, and the joint-stock system in various commercial enterprises and to analyze their feasibility and effectiveness in our country's state-owned commercial enterprises in connection with the relevant international experience and economic theories. The research results showed us the following points:

1. The leasing system should continue to be adopted by small state-owned retail, catering, and other service enterprises as the main form of reform, and be taken as the central link of the measures for enlivening the business of the small enterprises. The leasing system can ensure the enterprises' self-determination in business management to a large extent, can closely link risks with incentives, and can form appropriate motive-force mechanisms. However, the leasing system also has apparent drawbacks. It may easily cause short-term behavior among the enterprises and cannot maintain the long-lasting developmental momentum. As the amount of the guarantee fund is limited, the lease undertaker can hardly bear all losses in business. The leased enterprises also lack self-adjusting and self-disciplining mechanisms, and it is also hard to properly coordinate relations between the lease undertaker and the workers. Generally speaking, the leasing system is more suited to retail and catering shops, and it is not suited to the wholesale institutions; it is more suited to small enterprises, and not suited to large and medium-sized enterprises.

2. The contract responsibility management system can continue to be carried out in large and medium-sized enterprises. This system can rather properly solve two main problems in the operational mechanisms. First, it can rather effectively form the state's responsibility constraints on the enterprise, as a set of norms can be used to assess the performances of the manager and can be taken as the grounds for giving rewards and penalties to the manager. The enterprise behavior can thus be guided and regulated through such responsibility constraints. Second, the contract system can increase the vigor of the enterprises, promote their independent

operation, and prompt them to pay attention to profits and business accounting. However, the contract system has two major limitations. First, the contracted quota is an inflexible figure, but the external variables that affect the enterprise's business are changing continuously. For example, prices, interest rates, exchange rates, tax categories, tax rates, and various government policies are being adjusted from time to time.

When the external conditions change, the enterprises would demand corresponding changes in their contracted norms. However, it is not easy to judge which external factors should be tackled by the enterprises themselves and which should not be borne by them. Therefore, the enterprises can find various excuses to shirk the responsibilities that they should bear, and can even justify their refusal to keep the contract. Second, whether the behavior of the contracted enterprise is reasonable will eventually be determined by the state's concrete constraining conditions imposed on the enterprise, and the internal self-constraining mechanisms have not really taken shape in the enterprise yet. Therefore, the contract system is not the best target model of the reform in state-owned commercial enterprises. Even so, the contract system will still have a rather broad scope of applicability in the transitional period from the old management structure to the new one.

3. The joint-stock system should be carried out continuously in some large and medium-sized enterprises on a trial basis in order that experience be explored and accumulated and that this system can become a comparatively stable enterprise organizational form. The joint-stock system is different from the contract system in three main points: Through the basic means of clarifying the property rights, the mechanisms of independent management, sole responsibility for profits and losses, self-discipline, and self-development can be established in a perfect form in the enterprises, and enterprises can be actually separated from government institutions. Under the joint-stock system, the enterprises will obtain the right to possess, manage, and use their assets, really acquire the status as independent legal persons, have the capacity of perfect behavior, and act completely as commodity handlers. They will no longer need to act according to the fixed norms laid down by the external authorities beforehand. This will provide the precondition for the rationality of enterprise behavior, and will remove the short-term behavior of the enterprises under the leasing and contract system.

Third, some issues that should be noticed in the trial implementation of the joint-stock system in state-owned commercial enterprises.

1. The trial implementation of the joint-stock system with public ownership as the main body should be continued positively and prudently. Many comrades now still do not understand the contents of the joint-stock system, and lack practical experience in this respect. So the trial implementation of the joint-stock

system should prevent two deviations. The first deviation is to neglect our country's characteristic of maintaining the dominating position of public ownership and the undeveloped condition of the commodity economy while mechanically copying the mature practice of the joint-stock system. The trial implementation cannot be advanced too hastily and the joint-stock system cannot be completely established in one single move. The second deviation is to neglect the basic attributes of the joint-stock system and to "create" various distorted models in mass action.

2. It is necessary to tackle the difficult points in the trial implementation of the joint-stock system in commercial enterprises, and to solve the issues concerning the feasibility of the new system. As compared with industrial enterprises, commercial enterprises have the characteristics of requiring less investment and yielding quick returns. The amount of funds used by the commercial enterprises is small, and the proportion of fixed assets in the commercial enterprises is also relatively small. However, their intangible assets hold a specially important position. The location of a commercial enterprise, the favorable policies laid down by the state, its business goodwill, its business age (whether it is an old shop or a new one), and its degree of being known to the people are all assets that affect the enterprise's business result. Therefore, it is necessary to solve the issues of assessing the value of the intangible assets and the differentials between their economic results.

3. Backup reforms should be carried out in local governments and corresponding functional departments in a possible scope in order that a favorable reform environment be created. The reform measure of implementing the joint-stock system is related to things in a wide scope, and may bring about new issues concerning the representative of state property and the management of the state-owned stocks. It will also require corresponding reforms in the labor and personnel system, and affect the work of the financial and tax departments. At the same time, the establishment and management of the stock market as well as the opening of markets for capital goods are also new issues that must be handled. Therefore, the isolated trial implementation of the joint-stock system will encounter great difficulties and obstacles. Things will be smoothed out if the joint-stock system is supported by the local governments and the functional departments concerned.

FOREIGN TRADE, INVESTMENT

Beijing Notes Export Achievements

SK0801125391 Beijing City Service in Mandarin 1000
GMT 7 Dec 90

[Summary] The foreign economic and trade front of Beijing Municipality has scored marked achievements in exports this year. By the end of November, the total volume of exported commodities was worth more than \$1.18 billion, a 13.8 percent increase over the same

period of 1989; and that of procured export commodities was worth more than 4.92 billion yuan, a 15.1 percent increase over the same period of 1989. On the afternoon of 7 December, the municipal economic and trade commission held a commendation meeting in honor of 100 individuals outstanding in exports and 42 teams and groups which made marked contributions to municipal exports.

Shaanxi Export Values Top \$450 Million

*OW0201192591 Beijing XINHUA in English
1451 GMT 2 Jan 91*

[Text] Xian, January 2 (XINHUA)—Northwest China's Shaanxi Province exported products valued in excess of 450 million U.S. dollars during 1990.

Chen Kaiye, deputy director of the Shaanxi Provincial Commission of Foreign Economic Relations and Trade, said that exports in 1990 were 18 percent greater than in the previous year.

Textiles accounted for one-third of the total exports, while manufactured goods accounted for 65 percent. The export volume of machinery and electronic products increased by 29 percent over the previous year.

Shaanxi also increased exports of technology items used in the manufacture of dozens of products including computers, building materials and optical electronics.

In addition to increasing exports to old customers, the province opened new markets in Southeast Asia, South America, Africa and Europe. The province's local trade departments also increased the variety of exported products and improved services.

More Foreign-Funded Enterprises Approved in Hubei

*OW0301191991 Beijing XINHUA in English
1442 GMT 3 Jan 91*

[Text] Wuhan, January 3 (XINHUA)—Central China's Hubei Province approved 94 foreign funded enterprises in 1990, and now has 270 foreign funded enterprises, involving investments of over 553 million U.S. dollars.

Last year, these enterprises recorded an output value in excess of 727 million U.S. dollars, a 43 percent increase over 1989. In addition, the enterprises reported profits of 39.3 million U.S. dollars, 39.6 percent higher than the previous year.

During 1990, the provincial government approved the use of 314 million U.S. dollars in loans from the World Bank and foreign governments to finance the construction of key projects. The 51 contracts signed last year included the tianhe international airport, the Wuhan Highway Bridge over the Yangtze River, and a project to install 90,000 program controlled telephones.

Beijing Increases Number of Overseas Enterprises

*OW0301181091 Beijing XINHUA in English
1536 GMT 3 Jan 91*

[Text] Beijing, January 3 (XINHUA)—Beijing opened an additional 11 joint ventures outside of China's mainland in 1990, bringing the total number of the city's overseas enterprises to 60.

An official from the municipal government's economic and trade commission said that 42 of the 60 enterprises, which are located in 29 countries and regions including Japan, the United States, the Soviet Union, Germany, Italy and Hong Kong, were set up between 1985 and 1990. Most of the ventures are engaged in areas including manufacturing, technological development, tourism, commercial affairs and service trades.

Thus far, about half of the enterprises have gone into operation, and have registered a turnover of over 200 million U.S. dollars each year in the past two years.

The official said that the municipal government will further strengthen its overseas investment by drafting a series of policies aimed at encouraging more technically sound and financially strong enterprises to open business outside of China's mainland.

Nanjing Port Handles Record Foreign Trade Volume

*OW0701131191 Beijing XINHUA in English
1239 GMT 7 Jan 91*

[Text] Nanjing, January 7 (XINHUA)—The Yangtze River [Chang Jiang] port of Nanjing handled a record volume of over 3.6 million tons of foreign trade goods during 1990, a 23 percent increase over the previous year.

The city's imports and exports, as well as those from other areas in the middle and upper reaches of the Yangtze River, are handled at Xinshengwei, the city's foreign trade port. Since it opened to foreign vessels in early 1986, the port has handled in excess of 10 million tons of foreign trade goods.

Xinshengwei, which was built in 1981, now has nine 10,000 dead weight ton (dwt) and seven 1,000 dwt berths, which can simultaneously provide berthing for 12 ten-thousand dwt vessels. In addition, the well equipped port has established shipping links with over 50 countries or regions.

Beijing Signs More Contracts With Foreign Countries

*OW1801145291 Beijing XINHUA in English
1428 GMT 18 Jan 91*

[Text] Beijing, January 18 (XINHUA)—Statistics from the Beijing statistics bureau show that in the past year Beijing signed 105 contracts, valued at 37.5 million U.S. dollars, with foreign countries, representing a new record high.

Among the 16 medium-sized contracted projects, the value of ten of them each surpasses one million U.S. dollars.

In terms of labor cooperation, the city has found new markets in South American countries and the Soviet Union.

The fields of cooperation have also extended from construction alone to technology, cuisine and translation.

Sichuan's Chongqing Improves Investment Environment

*OW1901175791 Beijing XINHUA in English
1359 GMT 19 Jan 91*

[Text] Beijing, January 19 (XINHUA)—Chongqing City in Sichuan Province has made great efforts to develop its urban construction and improve the investment environment in order to attract more foreign funds, the PEOPLE'S DAILY reported today.

Chongqing is located at the junction of the Yangtze and Jialing Rivers. It has concentrated its efforts to develop transportation facilities especially by water.

Now goods can be transported by way of the Yangtze River directly to Hong Kong, Japan and Southeast Asia.

Its airport has opened 18 air routes to China's big and medium-sized cities as well as Hong Kong. The city has continued to improve its railway and highway facilities.

In recent years Chongqing has established economic and trade relations with 110 countries and regions, with an annual export and import volume of 469 million U.S. dollars.

Chongqing now has 103 foreign-funded enterprises and has signed 203 contracts involving funds from other countries, Hong Kong and Taiwan, with a contracted investment of 730 million U.S. dollars.

Records Set in Receipt, Use of Foreign Capital

*OW2301150391 Beijing XINHUA in English
1344 GMT 23 Jan 91*

[Text] Beijing, January 23 (XINHUA)—In 1990, China received over 10.09 billion U.S. dollars in foreign capital and ratified 7,276 new projects involving foreign investment, it was announced here today.

A spokesman from the Ministry of Foreign Economic Relations and Trade told a press conference that the two figures set records in China's receipt and use of foreign capital.

Last year, the value of agreements using foreign capital exceeded 12.33 billion U.S. dollars, of which credit agreements amounted to over 5.36 billion U.S. dollars, up 3.4 percent over 1989. Promised foreign investment in newly approved projects reached 6.57 billion U.S. dollars, up 17.3 percent.

The spokesman said the amount of direct foreign investment has been rising again since last May. Foreign owned enterprises developed rapidly with the number of projects increasing by 122 percent and the value of agreements by 76.8 percent.

Ninety percent of the foreign funded projects were considered to be productive and most foreign funds were earmarked for the textile, electronics, machinery, chemical and garment industries.

The spokesman said that investments from Taiwan businessmen continued to increase last year. In the period from January to September 761 agreements valued at over 661 million U.S. dollars were signed.

According to the spokesman, China signed agreements on external loans valued at 36.58 billion U.S. dollars and used some 30 billion U.S. dollars during the Seventh Five-Year Plan period (1986-90). It approved 22,731 foreign funded projects in the five years.

Hebei To Expand Foreign Economic Cooperation

*OW2401114791 Beijing XINHUA in English
1020 GMT 24 Jan 91*

[Text] Shijiazhuang, January 24 (XINHUA)—Hebei Province in north China will give priority to promoting foreign trade, setting up more foreign-funded enterprises and importing advanced technologies in its economic development in the next three years.

The province will make use of its open areas in Qinghuangdao and Tangshan cities to promote the opening of the whole province.

Ye Liansong, vice governor of the province, announced the plan at a recent provincial meeting on the work of opening to the outside world.

Ye said that the province will enhance coordination between different departments, and devote more funds, man power and materials to foreign economic cooperation and export-oriented production.

Since the Chinese State Council approved the opening of Qinghuangdao, Tangshan and Cangzhou in Hebei in 1988, the province has attracted and used 342 million U.S. dollars in foreign funds. It now has 232 registered foreign-funded firms.

The province has imported 329 items of advanced technology. It earned 1.255 billion U.S. dollars from exports and 12.4 million U.S. dollars from contracted projects and labor service in other countries in 1990.

The provincial government has decided that the existing enterprises will be encouraged to seek overseas partners

so as to upgrade themselves technically, foreign investments will be focused on the development of export-oriented and technology-intensive production, and overseas investors will be encouraged to contract large plots of land for development in the open areas.

The province expects to absorb 930 million U.S. dollars in foreign funds and increase the number of foreign-funded enterprises to 600 in the next three years.

In order to improve its investment environment, Hebei has built 27 berths in Qinghuangdao Port with a combined cargo handling capacity of 93.95 million tons. Transport and telecommunications networks have been further improved and upgraded.

The provincial economic planning committee has improved its work efficiency to ensure that foreign investors can go through all procedures for approval within 15 days.

The province also plans to get 150 million U.S. dollars in loans from other countries or world financial organizations to develop forestry and fruit production in mountain areas, upgrade urban facilities and improve its building materials industry.

Now Hebei exports more than 1,100 varieties of goods. It plans to boost its export volume to 1.5 billion U.S. dollars by the year of 1993, with an annual increase of 6.3 percent.

The province now has a number of bases turning out aquatic products, animal products, fruits and garments for export, and it will set up some production bases to boost the export of cement, glass and ceramics for daily and industrial use.

The province also plans to import 300 items of advanced technologies and equipment to expand its export of manufactured goods.

Hebei Province has established trade relations with more than 120 countries and regions and has founded 21 firms in 14 countries and regions.

Ye said that while consolidating its present share of world trade, Hebei will make more efforts to find new markets in West Europe, North America, the Soviet Union, and other parts of the world.

Chemical Industry To Seek More Foreign Investment

OW2401171391 Beijing XINHUA in English
1516 GMT 24 Jan 91

[Text] Beijing, January 24 (XINHUA)—China's chemical industry plans to promote economic and technological co-operation with foreign countries by seeking more foreign investment aimed at establishing additional chemical plants.

During an address to a current work meeting being held here, Gu Xiulian, the minister of chemical industry, said

that it is of utmost importance to the future development of China's chemical industry to seek more foreign co-operation.

The ministry of chemical industry reports that China exported chemical products valued at over 2.2 billion U.S. dollars last year, an increase of 10 percent compared with 1989.

Last year, China used loans from the World Bank, as well as loans from the Asian Bank and Japan to construct a number of chemical mines and chemical fertilizer plants.

Gu urged all the managers of chemical enterprises to import and master advanced foreign technology, management experience and capital, and to establish export-oriented joint ventures.

Shipbuilding Industry Exports Nearly Double

OW2401082691 Beijing XINHUA in English 0817
GMT 24 Jan 91

[Text] Beijing, January 24 (XINHUA)—China's shipbuilding industry exported vessels totalling 1.53 million dwt during the Seventh Five-Year Plan period (1986-1990), nearly double the amount during the previous five years.

Its export value amounted to 2.3 billion U.S. dollars, almost twice that of the Sixth Seven-Year [as received] Plan, the PEOPLE'S DAILY reported today.

Statistics from the China State Shipbuilding Corporation (CSSC) show that the whole industry completed 162 vessels with a total of 632,000 dwt in 1990. The CSSC also received new ship orders for more than 1.2 million dwt last year. Of the orders, 452,000 dwt were to be completed for foreign buyers.

In addition, the CSSC also completed 710 million yuan-worth of ship repairs in 1990, the paper reported.

During the past five years the shipbuilding industry has also made some major changes in its production structure, enlarging its proportion of services other than shipbuilding. The CSSC now also produces containers, oil-drilling equipment, hydraulic pressure supports, ultrasonic wave instruments and duplicating machines, the paper reported.

Silk Exports Increase

OW2501093091 Beijing XINHUA in English
0842 GMT 25 Jan 91

[Text] Nanjing, January 25 (XINHUA)—China earned 1.95 billion U.S. dollars from silk exports in 1990, 110 million dollars or 5.8 percent more than in 1989, according to a national meeting here today.

Managers of silk import and export companies to the meeting said more silk prints, silk garments and other ready-made products were exported last year than in previous years.

In face of a sluggish world market for silk products, silk exporters throughout the country made great efforts to turn out new products and ensure timely delivery.

Exporters in Shandong, Jiangsu and Zhejiang Provinces made great progress in raising product quality last year, the meeting was told.

ECONOMIC ZONES

Export Growth Seen in Special Economic Zones

HK2201032691 Beijing CHINA DAILY in English
22 Jan 91 p 2

[By staff reporter Zhang Yuan]

[Text] China's five special economic zones (SEZ), the showcases of its market-oriented reforms, continued to take the lead in promoting Sino-foreign trade.

Foreign trade volume of the five SEZ's—Shenzhen, Zhuhai and Shantou in Guangdong Province, Xiamen in Fujian Province, and Hainan Province—hit an all-time high of \$15.66 billion last year, according to a Customs report.

The figure was 13.6 percent more than 1989, while China's total foreign trade rose by just 0.61 percent to \$89.5 billion.

The SEZs had chalked up a hefty 23.4-percent increase in exports last year to hit \$8.05 billion, compared with the 19.05-percent rise in the nation's total exports, the report said.

In addition, the SEZ's import value had increased by 11.1 percent to \$7.61 billion last year, while China had suffered a 16.7-percent decrease in total exports compared with 1989.

It was the first time that the SEZ's had reported a trade surplus, it said.

The breakdown of exports by the SEZ's showed steady improvement last year, according to the report.

On the exports, it said, finished industrial products accounted for 87 percent, compared with only 81 percent in 1989. Of these finished products, the ratio of machinery and electrical items increased by 40 percent from that of 1989. Meanwhile, the share of primary products had been cut to 13 percent.

The report also said imports of raw materials had grown by 41.4 percent last year over 1989, while exports had also gone up by 50.8 percent.

Guangdong's West Zhuhai SEZ Developing Into Industrial Zone

OW0501110291 Beijing XINHUA in English
0852 GMT 5 Jan 91

[Text] Beijing, January 5 (XINHUA)—Construction of the west part of the Zhuhai Special Economic Zone [SEZ] in Guangdong Province is at a key stage of development, PEOPLE'S DAILY reported today.

Covering 500 square kilometers, West Zhuhai is a close neighbor of Macao and is only 45 miles from Hong Kong.

According to experts who have made inspections in this area, West Zhuhai will be developed into an energy and chemical base and a communications hub so as to boost the economy of the Xijiang River Valley, and subsequently, the interior areas of south China.

The paper noted that when construction in this area is complete, it will attract investors with its location and inexpensive land.

Shenzhen Opening Bonded Production Materials Market

OW0201193091 Beijing XINHUA in English
1446 GMT 2 Jan 91

[Text] Shenzhen, January 2 (XINHUA)—Shenzhen, China's first special economic zone, will open a bonded production materials market, on a trial basis, beginning next month.

A local government official reports that this is in line with a joint decision recently issued by five central government departments.

The bonded production materials to be handled will include universal machinery, raw materials, spare parts, fuel, packing materials and motor vehicles to be used in Shenzhen.

Production materials imported by the bonded market can be stored in bonded warehouses, without having to obtain an import license, after examination by the government customs department.

Enterprises to handle bonded production materials must have the right to arrange imports and exports directly with foreign firms, enjoy a high degree of business prestige and operate bonded warehouses approved by customs.

Officials say that the establishment of the bonded production material market will simplify import procedures.

Concrete regulations governing the management of the bonded production material market are being drafted, and the local government is examining the qualifications of 23 applicants.

Shenzhen Firm in Guangdong To Issue Foreign Exchange Bonds

OW0301184891 Beijing XINHUA in English
1600 GMT 3 Jan 91

[Text] Shenzhen, January 3 (XINHUA)—A Shenzhen company, which is a branch of the China National Nonferrous Metals Industry Corporation, will issue foreign exchange commercial bonds totalling eight million U.S. dollars, on January 18.

A corporation official announced today that the offering has been approved by the State Administration of Exchange Control. Local financiers describe the bond offering as a breakthrough in the reform of China's existing financial system.

Bonds totalling three million U.S. dollars will be sold to enterprises and institutions. The remaining bonds will be issued in terms of Hong Kong dollars and will be sold to individuals.

Bonds sold in U.S. dollars will be sold in 500 dollar denominations, while those sold in Hong Kong dollars will be in denominations of 1,000 Hong Kong dollars.

The bonds, which will mature in nine months, will carry an interest rate that is higher than the rate paid for bank deposits for the same period. The bonds can be deferred, mortgaged, discounted for cash and transferred.

The purpose for issuing the bonds is to raise funds to be used for the import of nonferrous metals, which will in turn be exported as finely processed materials, according to the official.

Japan, Hong Kong Help Build Shenzhen Port Facilities

HK2301045491 Beijing CHINA DAILY in English
23 Jan 91 p 2

[By staff reporter Xie Zheng]

[Text] Shenzhen—Two Japanese giants and a mainland-Hong Kong consortium are consolidating their foothold in China's first special economic zone by building cargo storage and transit facilities.

The parties are involved in development projects in the port area of Yantian, which is about seven kilometres east of Shatoujiao, a town adjacent to Hong Kong.

The four companies—Mitsui (Hong Kong), Kumagai Gumi (Hong Kong), the China Lingnan Industrial Development (Shenzhen) Co Ltd and a Hong Kong firm which has investments in four Chinese projects—are allied in two syndicates and signed contracts last month with local authorities to lease two pieces of land in the area for 35 years.

An official with the Jingpeng Industrial Company, Ltd told CHINA DAILY that the two groups have decided to

invest a total of at least HK\$2 billion (\$256 million) to build warehouses and open sites for cargo.

Under the local government's blue-print, Yantian will become Shenzhen's major deep-water port capable of anchoring ships of up to 100,000 tons. The construction of the port will receive a sum equalling 370 million yuan (about 10 billion Japanese yen at the present exchange rate) from the third batch of the Japanese Government loan programme.

The official said the two groups will use docks built by China and hire local workers for loading and unloading.

The two groups have started designing the construction. And the Japanese consortium has suggested the local authorities to have a container dock built before September this year.

This involvement of the two groups "will help ensure the future Yantian Port operate at full capacity and encourage other parties to invest in the port construction," said the official.

LABOR

Changes in Pension System Announced

HK0701044991 Beijing CHINA DAILY in English
7 Jan 91 p 4

[By staff reporter Tan Hongkai and Zhang Xiaogang]

[Text] The Ministry of Labour has announced "major changes" to the country's labour insurance system over the next few years.

The first move for this year will be a revision of the pension system.

In the process, a regional "retirement foundation" will be established to replace the old institution-based pension issuing.

The development of industrial and urban labour management, including what is called "socialized" pension issuing and unemployment welfare, will be a point of emphasis of China's entire economic reform during its Eighth Five-Year Plan period (1991-95), the newspaper ECONOMIC INFORMATION quoted sources at the Labour Ministry as saying last month.

This has won the endorsement of the top leadership of the ruling Communist Party, an endorsement which was written into the communique of its plenary session which closed just before the New Year's holiday.

Already 10 million out of the nation's 22 million retired people from government-owned enterprises have been benefiting from the initial pension reform—mostly in places like Beijing, Shanghai, Tianjin, Fujian and Jiangxi.

Chances look good for this pilot project, first started in 1984, to be implemented through the country by the end of this year.

Xian Liang, economist at the Chinese Academy of Social Sciences, pointed out in *ECONOMIC DAILY* last October that, in the next few years, the new pension system should cover all urban workers—those from foreign-funded, collective, and private enterprises alike.

This will be a significant move in the Chinese economic reform. It will help the government-owned large enterprises become more flexible by casting aside their rigid and anachronistic labour management practices.

For economists, the long-range significance of the labour reform certainly is more important. If successful, it would greatly promote labour mobility, thus helping competition among all enterprises and the formation of a unified market system.

The traditional practice in this country is that retired workers still depend on their previous employers, government-run enterprises and institutions in most cases, like children clinging to separate families.

Welfare is distributed only in the name of the government. It is the enterprises themselves that are expected to support the "iron rice bowl" for their current and former employees.

However, faced with increasingly stiff market competition, enterprises may have to spend enormous sums of money on technological upgrading, merge with other enterprises and even declare themselves bankrupt.

They may not be able to carry the burden of constantly having to raise retirement funds on their own.

It would be especially hard for old enterprises and old industrial areas—their equipment may be as old as some of their work force.

For example, in Shanghai, China's largest and oldest industrial centre, retired workers accounted for as much as 33.8 percent of the number of those employed in 1990. Estimates say the figure could reach 42.7 percent in 2000, and approach 68 percent in 2020.

During the market slump in 1989 and 1990, quite a number of Chinese enterprises were forced to cut back or suspend production. The decrease in economic returns has affected their workers' welfare.

With a universal pension system, most retired workers will be able to benefit from a co-ordinated welfare programme in situations like this. The reform in other aspects of enterprise management can be made easier at the same time.

The retirement foundation, as indicated by the pilot projects thus far, usually works under the direction of the local financial authorities.

Its funding sources would include government allocations, enterprises' contribution (a certain percentage of their wage levels), and individual workers' payments.

The payment takes between 1 and 3 percent of workers' monthly wage income, "and represents only a small proportion of the pension they will ultimately obtain," according to Qiu Shanqi, director of the Labour Ministry's Department of Insurance and Welfare, while commenting on the new practices implemented in some areas last October.

Overhaul of Pension System Planned

HK1701045191 Beijing CHINA DAILY in English
17 Jan 91 p 3

[By staff reporter Li Hong]

[Text] Central government is set to undertake an overhaul of pensions for retirees in work units and to expand its unemployment welfare cover for workers by 1995, Labour minister Ruan Chongwu said.

The ultimate goal of the labour insurance reform, Ruan told a national conference, is to provide "socialized" pensions and jobless security to all state members. They will include staff of government bureaus and institutions, workers of state-owned, collective-run and foreign-funded enterprises, and individual labourers and farmers.

Currently, 10 million out of China's 22 million retirees have been receiving the so-called "socialized" pension payments: that is to say, they no longer rely on their former employers for the retirement income.

Also, some retirees obtain their pensions from banks and post offices, thanks to the efforts of the government-established pension management departments.

The new scheme, initiated in 1984, stipulates that the state, enterprises, and workers alike make regular contributions towards the pension bill. A total of 50 million workers from government-owned enterprises have joined the scheme.

But they only represent about one third of the 140 million employees in the country, and Ruan said their contribution was "trivial," and represented a mere 1 to 3 percent of their monthly income. In Jiangxi, a new policy stipulates that state enterprises should make payments equal to 21 percent of their payroll, and individuals should pay premiums equal to 1 percent of their salaries, to the unified pension management departments.

In the long run, Ruan suggested that "retirement and unemployment foundations" be set up with sources from government allocations, enterprises' contributions and individual workers' payments.

World Bank

But even after China initiated its reform on labour insurance management, the World Bank has proposed that China should move gradually towards a three-tier pension system covering all urban workers.

The first tier would provide a uniform national basic pension to all urban workers, to be financed by a compulsory social security tax. The second tier would consist of enterprise-financed benefits above the basic pension, and the third tier would provide pension coverage to the self-employed and workers in individual enterprises, most of whom have no pension cover at present.

In the past, and also at present in some enterprises, retirees were granted their pensions by their former employers, and workers who lost their jobs seldom had access to unemployment security.

Also, under the previous system, retirees often lost their pensions when their former employers ran into financial difficulties.

TRANSPORTATION

Tianjin Rebuilds Harbor Railway Station

SK2912082790 *Tianjin City Service in Mandarin*
2300 GMT 28 Dec 90

[Text] Tianjin Municipality has completed rebuilding its railway station at Wanjia wharf, which is one of the 20 major projects designed by the municipal People's Government for improving the livelihood of both urban and rural people this year. On 28 December, the State Local Railways Administration Bureau sponsored a ceremony at the Wanjia wharf on putting the new station into operation and commending the outstanding units and individuals in the emulation drive for rebuilding the station. Attending the ceremony and cutting the ribbon for the ceremony were Li Zhendong, vice mayor of the municipality; and (Wang Rongdi), permanent (?deputy director) of the State Local Railway Administration Bureau.

The project of rebuilding the Wanjia wharf railway station began on 10 August of this year. By making all-out efforts, the staff members and workers of the local railway administration bureau prefulfilled the rebuilding project within 136 days. The newly rebuilt wharf station will first adopt the automatic operation system and lay a solid foundation for supplying sufficient coal for the Dagang power plant.

During the ceremony, the State Local Railways Administration Bureau also commended the advanced units and outstanding individuals in the emulation drive for rebuilding the station.

Qingdao-Jinan Railway's Double Tracking Completed

SK3112045890 *Jinan Shandong Provincial Service*
in Mandarin 2300 GMT 29 Dec 90

[Summary] The double-track line of the Qingdao-Jinan Railway, a key construction project of the state for the Seventh Five-Year Plan period, opened to traffic on the morning of 28 December. The double-track line of the Qingdao-Jinan Railway is 383 km long, and the investment in it totaled 1.3 billion yuan. For this project, 12.78 million cubic meters of stone and earth work was completed, and large and medium-sized bridges, totaling 11,310 meters in length, were built.

Railway Construction Develops in Inner Mongolia

OW0801145691 *Beijing XINHUA in English*
1043 GMT 8 Jan 91

[Text] Hohhot, January 8 (XINHUA)—North China's Inner Mongolia Autonomous Region made rapid developments in its railway construction during the state's Seventh Five-Year Plan period (1986-1990).

By the end of the period, the region's railways totaled more than 6,000 kilometers in length. The annual transportation volume of cargo reached 60 million tons, and more than 33 million passengers traveled on the region's railways each of the five years. These figures represent increases of nine, 17.5 and 19.2 percent, respectively, over the figures for 1985.

Also during the five-year period, the Hohhot Railway Administration Bureau made technical improvements to the western, and eastern Baotou railway stations and the western Hohhot railway station.

Bureau officials noted that the 423 kilometer Datong-Baotou double-track railway project, which was finished last March, will play a very important role in the economic construction of Inner Mongolia.

They added that at 943 kilometers, the Jining-Tongliao Railway, currently under construction, is the longest local railway line in the country.

PUBLICATIONS

Publications Director Urges Support of Copyright Law

OW2512204990 *Beijing XINHUA Domestic Service*
in Chinese 0856 GMT 24 Dec 90

[By reporter Yang Yue (2799 6390)]

[Text] Nanning, 24 Dec (XINHUA)—The "Copyright Law of the People's Republic of China," which will go into effect on 1 June next year, will mark a new era in China's history, where there will be a legal basis for handling copyright disputes. Song Muwen, director of the China Press and Publications Administration, urged

the whole society to support the implementation of the copyright law, at the first national copyright conference held in Guilin recently.

Song Muwen noted: The formulation and implementation of the copyright law marks a major achievement in China's efforts to develop its socialist legal system. It is an important law in that it will expedite the flourishing of science, culture, and fine arts; facilitate scientific and cultural exchanges with foreign countries; and advance China's opening efforts. He stressed that because of the copyright law's complexity and extensiveness, the support and cooperation of all relevant departments and organizations are needed to ensure its smooth implementation.

Song Muwen maintained: In implementing the copyright law, it is necessary to have a firm grasp of the spirit of the law, adhere to the socialist orientation, and protect authors' copyright. It also is necessary to give equal consideration to the interests of the state, units, and individuals; to the interests of both the authors and the disseminators of their works; and to the interests of both the authors and the general public. Last but not least, there shall be reasonable regulations governing foreign copyright issues.

At the conference, responsible persons of pertinent departments as well as representatives of other parties concerned discussed and drafted the regulations for implementing the copyright law and a series of supplementary laws. They deliberated the establishment of collective administrative and arbitrary organizations, and discussed issues involving foreign copyrights. They also proposed ways for improving and strengthening copyright administrative departments to ensure the smooth implementation of the copyright law.

AGRICULTURE

Zhejiang Tea Procurement Price

91P30073D Beijing NONGMIN RIBAO in Chinese
31 Oct 90 p 2

[Summary] The procurement price for tea in Zhejiang Province is 500 yuan per 100 kilograms, a 12.6 percent decrease from 1989. According to a survey of 34 tea-producing counties in Zhejiang, tea production costs are 480 yuan per 100 kilograms, a 12 percent increase over 1989.

Interview With New Minister of Agriculture

91CE0136A Beijing JINGJI RIBAO in Chinese
13 Nov 90 pp 1,2

[Interview with Minister of Agriculture Liu Zhong yi (0491 0022 0001), by JINGJI RIBAO reporters Wang Zhaodong (3769 2507 2767) and Gao Yinuo (7559 0110 6179) in Beijing; 7 Nov 1990—first paragraph is JINGJI RIBAO introduction: "A Proper Assessment of the Agricultural Situation: We Must Not Forget To Increase Our

Reserves in Times of Plenty—Excerpts of An Interview With Minister of Agriculture Liu Zhongyi"]

[Text] (On the afternoon of 7 November 1990, these reporters met with Minister of Agriculture Liu Zhongyi in his offices and discussed the current agricultural and rural work situation with him in considerable depth. Some excerpts from that interview appear below. The two participants are abbreviated as JINGJI RIBAO and "Liu.")

[JINGJI RIBAO] The bountiful harvest all across China this year has made everybody happy. How to assess the agricultural situation properly and draw scientific conclusions from our experience in increasing yields are questions that concern us all, and we have heard some rather sanguine views on this issue. As the new Minister of Agriculture, what basic assessments and appraisals have you made?

[Liu] The 1990 harvest was truly bountiful—a hard-earned bounty, indeed. I feel we should view the situation from two perspectives: First, there are the efforts we have made. Since 1989 the CPC Central Committee and the State Council have repeatedly emphasized that we must focus on agriculture. Every locale and department has grown more acutely conscious of the central role that agriculture plays in economic and social development. In addition, we have increased agricultural inputs and launched scientific and technical initiatives in agriculture. This series of measures has created the conditions necessary to produce 1990's bumper harvest. Second, natural conditions have been favorable: Heaven helped us, so that "when we needed rain, it rained, and when we needed sun, the sun appeared." In Chinese agriculture we still essentially "depend upon the heavens to feed us," and we cannot ignore this factor. Consequently, when we have successive bumper crops I feel we should not lower our guard, and we certainly should not lose our heads about it. Although the 1990 harvest was our second bumper crop in a row, and although it was a comprehensive and far-reaching success, in my opinion we can only say that it has turned the tide against successive fluctuations and negative progress in agricultural production since 1985. We cannot conclude that agriculture has, because of this, brought that period of fluctuation to a close, and we particularly cannot say that we have now reached our agricultural goals in China. From an overall long-term perspective, agricultural development is still in a rather grim state in China.

[JINGJI RIBAO] We interviewed you three years ago, when you were in charge of agricultural planning work for the State Planning Commission.

At that time we were looking into the question of agricultural reserves, and we suggested that "we must consider 'the enchanting symphony,' but we must place even more emphasis on the incredible 'yellow earth,'" and you agreed. At that time some of your views were right on target. But from the situation as we understand it at this time, problems such as the serious shortage of

agricultural reserves and the various conflicts confronting agriculture have the 1990 bumper harvest, it seems there is a need to reemphasize what has been said in the past.

[Liu] If we view the agricultural situation dialectically and comprehensively, we must stress what will follow the good years all the more, because when times are good, these factors, which are precisely those factors that we cannot afford to treat lightly, tend to be ignored and are often overshadowed by the bumper grain crop. What's more, the more bountiful the harvest, the more we should talk about enhancing our agricultural reserves and sparing no effort to push agriculture on to new and greater heights. This is better than just passing our days: when times are tough people pass their days in great anxiety, concentrating only on getting enough to eat and not worrying about other things. When times are good, then conditions are right for planning growth, accumulating a little surplus, and making some headway in improving our agricultural reserves. The rest goes without saying: because of population growth and a sharp decline in arable land, the burden on agriculture itself is growing year by year. Although grain output was higher in 1990 than in 1984, the per capita grain ration has dropped 25 kg due to population growth. It will be very difficult for us to raise grain output two more levels by the end of the century. In addition, as people's standard of living improves and we need more domestic and foreign exports, there will have to be a corresponding degree of increase each year in the output of staple agricultural products. The difficulty of this undertaking lies in the fact that there has been no major change in our overall production capacity or in the essential factors that limit agriculture. Improving the educational and technological level of hundreds of millions of peasants is an enormous, lengthy, arduous task. It is no wonder that the external conditions necessary for agricultural and economic progress are, to say the least, less than ideal.

[JINGJI RIBAO] Agriculture truly does face both internal and external problems, and it seems we must work on both aspects if we are to increase agricultural reserves. In addition to the efforts of 800 million peasants and all departments concerned with agriculture, we also need every trade and industry to offer support so that we can create external conditions conducive to agricultural growth. As for the peasantry, the central government continues to stress that the lives of hundreds of millions of peasants have been stabilized because we have maintained and perfected a steady responsibility system centered on output-related household contracting, and preserved the continuity of essential rural policies. But agriculture is really no longer just a question of production. In order to achieve agricultural development and normal overall economic activity and circulation in the countryside, we must first solve certain profound contradictions. For example, how do we solve the "grain-selling problems" that peasants have faced since the recent bumper harvests? How do we help increase peasant returns as well as peasant output, prevent cheap

grain from damaging agriculture and peasant initiative, and raise peasant incomes to increase rural purchasing power and stimulate the market? Finally, how do we respond to the State Council's request that we alleviate the practical burden on peasants, stimulate circulation of agricultural products, and do a good job of building a rural social service system? These are all issues that agricultural departments or peasants alone cannot solve.

[Liu] The most important factor and the most valuable lesson we can draw from this bumper harvest is that we must persevere in rural reform and preserve the stability of rural policies based on the output-related system of contracted household responsibility. Only when policies are consistent will people feel at ease, and only then will there be sustained, steady, coordinated overall economic growth. This is the first of the "three mainstays." The second is that we must rely on investment—we must truly put agriculture first, make an effort to increase agricultural investment, and create projects that are carefully planned, can support agricultural production in a practical fashion, and will bring material benefits to the peasant masses. The issue of agricultural reserves is actually an issue of strengthening our overall capacity for agricultural production. The need to enhance agricultural reserves is rooted in the importance of agriculture as the foundation of our society. This is the objective requirement for maintaining sustained, stable, coordinated growth in agriculture and in the national economy itself. Consequently, we must make a great effort to develop industrial uses for agricultural products; do a good job on comprehensive agricultural development and the construction of agricultural commodities bases and farmland water conservancy bases; and guarantee the supply and disposition of agricultural production materials. And as for relying on science and technology, in reality these are also a kind of input. Scientific and technological input requires money, which makes it more than mere idle talk. For example, just as it takes at least 10 years of work to produce a good, truly viable cultivar, it takes a monetary investment for science and technology to benefit agriculture.

As for the external environment, in the matter of policy measures the industry has already advanced some issues to the top of the agenda, and the time is growing ripe for action. For example, as agriculture has prospered it has become possible to take steps to reform the agricultural pricing, circulation, and procurement and marketing systems. Of course, this is a very complex matter that cannot be handled overnight, but we should judge the hour and size up the situation so as to adopt positive, reliable policies that can resolve our problems gradually. This is also an important part of our effort to improve the economic environment, rectify the economic order, and intensify reform. Besides which, right now is an excellent opportunity for action, and if we squander it there is no telling when so good an opportunity will arise again. We must seize this chance to study and resolve the issues.

[JINGJI RIBAO] We have heard it said that at first glance agricultural issues look simple, but in fact they are quite complex: many of them have an impact on the entire national economy. What you have said today again verifies the truth of this statement. For example, building up our agricultural reserves is a major undertaking that cannot be successful unless everyone pulls his weight. Even so it cannot be accomplished without a long-term effort. Right now, happily, it looks as if everyone—the entire party and the whole nation—is gradually beginning to learn about agriculture, and we are starting to produce a kind of common knowledge on the subject. We now have a more rational, deeper understanding of the characteristics of agriculture as an industry, and of the lessons we have learned in dealing with agricultural issues over the course of many years. These facts provide an important guarantee that agriculture will continue to ascend to new heights and will be able to produce reserves. It appears that we have a million things to do now and in the near future in order to strengthen our reserves. Tomorrow is already the “first day of winter”—the first year of the 1990’s has passed quickly. What thoughts do you have on efforts to produce a bumper harvest in 1991?

[Liu] We cannot wait until next year to handle next year’s problems: we must move right now to make adequate preparations for an ample harvest next year. Of course this year’s bumper harvest is a good thing, but any bumper crop also puts a lot of pressure on us. Just as it became harder, not easier, for transit workers after they created a new sense of discipline, it is difficult to climb higher from a new starting point. We must keep our wits about us. What’s more, there is still much work to do in the wake of this year’s bumper crop. For example, if we are to ensure that the fruits of our bumper harvest reach us, we must accomplish a whole series of follow-up tasks, such as procurement, preservation, storage, processing, and so forth. If we truly are to resolve the peasants’ “grain-selling problems,” we must not only harvest the grain—and we cannot issue “IOU’s”—we must see to it that peasants increase both production and income, and that after their income goes up economic and social benefits accrue to them. We must also seize the opportunity to work on capital construction on farmland and comprehensive agricultural development projects. We hope that in 1991 we can move scientific and technological advancements in agriculture out of the lab and into the millions of peasant fields. We must do our best to make breakthroughs where conditions permit, as well as in certain industrially mature technological projects, and, as quickly as possible, turn scientific and technological achievements into actual productivity. We need to target and focus our efforts; for example, we might stress improved varieties of corn, or plastic film mulching. As well, we should coordinate scientific and technological improvements with multipurpose agricultural development and the construction of agricultural commodities bases. In addition, in 1991 we must make adequate preparations to prevent natural disasters and achieve a bumper harvest. We cannot always count on

help from “above”: rather, we must prepare for drought and waterlogging. Making these preparations gives us every advantage, while presenting us with no drawbacks. As we work, we must think about what we are doing. Only in this way can we succeed 100 percent.

[JINGJI RIBAO] In addition to cultivation, the Ministry of Agriculture is also responsible for certain other industries and areas. Can you give our readers a brief introduction to these?

[Liu] I cannot discuss them in depth today, but I will talk about two points. First, there is poverty relief. Today we have adopted both an orientation and an approach toward poverty relief, achieving notable success. However, we must not overestimate this success, particularly when you consider the facts that some households that had escaped from poverty have grown poor once more, and that certain regions which had not been impoverished might become so if handled wrong. Poverty relief is a long-term responsibility, and it is the most difficult, intractable problem we face in our effort to make agriculture prosper overall. Right now we are entering an attack phase, and I hope everyone will give us their consideration and support.

Second, there is township enterprise. We cannot waver in the development of township enterprise: It is the prime ingredient in our Chinese form of socialism. It plays a crucial role in rejuvenating the rural economy, promoting agricultural development, increasing exports in order to create foreign exchange, and ultimately stimulating overall growth in the national economy. I hope everyone will give it more consideration and support. Of course, we must also enhance guidance and management—we cannot conquer every defect at a glance. Naturally, we must also think about meeting the demands of the state plan and abiding by production policies—we cannot rush blindly ahead. Township enterprise have no choice but to depend on agriculture. In short, we cannot underestimate the role that the growth of township enterprise plays in enhancing our national economic strength, improving agricultural returns, and augmenting agricultural reserves.

Finally, I wish to add that I hope everyone will be concerned about and continue to emphasize and improve agriculture, and that they will think about agricultural issues from a macroeconomic and high-level perspective. I hope they will make suggestions for increasing agricultural reserves, and that, proceeding from a foundation of sustained, steady agricultural growth, they will struggle to push agriculture to new heights.

October Hog Procurement Prices

91P30073E Beijing JINGJI XIAOXI BAO in Chinese
5 Dec 90 p 1

[Summary] The average hog procurement price in October was 163.58 yuan per 50 kilograms, maintaining the same level as September. In 11 major hog-producing

provinces the average price was 167.9 yuan, a 12.9 percent increase over September. Prices increased 4.88 percent in Hebei, 3.16 percent in Henan, and 0.6-2.61 percent in Jiangsu, Anhui [as published], Shandong, Hubei, and Shaanxi. Prices decreased 0.22-1.14 percent in Zhejiang, Anhui [as published], Shandong, Hunan and Sichuan. Beginning 1 October, the guaranteed procurement price in Chongqing dropped from 130 yuan to 120 yuan per 50 kilograms. In October the retail price of pork was 245.23 yuan per 50 kilograms, a 6.85 percent decrease from the same period in 1989.

Zhejiang Grain Procurement, Price

91P30076E Beijing NONGMIN RIBAO in Chinese
27 Dec 90 p 1

[Summary] By the end of November, Zhejiang Province had procured 6,752,000,000 jin of grain, an increase of 636 million jin over the same period in 1989. Grain output this year reached 31.7 billion jin, an increase of 630 million jin over 1989. The guidance price for negotiated purchases of grain was set at 38 yuan per 100 jin, which was higher than the guaranteed price in neighboring provinces and higher than the market price.

Anhui Grain Procurement

91P30076A Hefei ANHUI RIBAO in Chinese
29 Dec 90 p 1

[Summary] As of 25 December, Anhui Province had put 6,781,800 tons of grain in storage, an increase of 1,046,700 tons over the same period in 1989; 3,566,600 tons of contracted grain were put in storage, an increase of 78,500 tons, and fulfilled 100.93 percent of the task. In addition, 1,194,300 tons of grain purchased at negotiated prices were put in storage and 2,020,900 tons of special grain reserves were put in storage.

Anhui Rural Savings

91P30073F Hefei ANHUI RIBAO in Chinese
2 Jan 91 p 1

[Summary] As of 5 December, rural saving deposits in Anhui Province exceeded 7 billion yuan, average per capita farmer savings were 155.58 yuan, an increase of 40.15 yuan over 1989.

Guangdong 1990 Harvest

91P30076D Beijing NONGMIN RIBAO in Chinese
3 Jan 91 p 1

[Summary] In 1990 gross output of grain in Guangdong Province is estimated at 18,831,000 tons, an increase of 690,000 tons over 1989; sugar 20,756,000 tons, an increase of 3,943,000 tons; peanuts 588,300 tons, an increase of 24,900 tons; fruit 3,140,800 tons, an increase of 382,500 tons; aquatic products 2,000,700 tons, an increase of 103,200 tons; 17,151,300 hogs were removed from stock, an increase of 328,300; per capita meat

consumption was 30 kilograms; and average income in rural areas was 1013.51 yuan, an increase of 63.51 yuan.

Hunan Cotton Output, Area

91P30076B Changsha HUNAN RIBAO in Chinese
3 Jan 91 p 1

[Summary] In 1990 gross output of cotton in Hunan Province exceeded 2 million dan, a 58 percent increase over 1989. As of 3 January, over 1.9 million dan of cotton had been put in storage. In 1990 the cotton area was 1,740,000 mu, an increase of 300,000 mu over 1989. In 29 counties the per mu ginned cotton yield exceeded 50 kilograms.

Development, Prospect of Southern Cropping Systems

91P30076C Beijing ZHONGGUO NONGYE KEXUE
[SCIENTIA AGRICULTURA SINICA] in Chinese
No 5, 1990 p 23

[Abstract] Southern agriculture is of importance to China. Over the past 10 years, research and reform of cropping systems have greatly developed in three aspects: 1) The intensive use of arable land resources with increasing land productivity as the goal, such as multiple cropping system reforms in upland with wheat/corn/sweet potatoes as the main pattern; the rotation of winter crops for triple cropping systems in rice paddy fields, the rational exploitation and use of arable land resources during winter and autumn in winter logged fields, and winter and autumn fallow fields. 2) The cropping and farming systems of diverse types and functions with increasing economic benefits of arable land as the goal. 3) The double cropping systems of rice and wheat with increasing productivity of labor and land as the goal.

After analyzing trends of population increase and arable land decrease by the year 2000, the demands and ways to further increase the yield per unit area, level and efficiency of inputs, and overall productivity and benefits of land are discussed.

Shanxi Cotton Procurement

91P30073C Beijing JINGJI RIBAO in Chinese
4 Jan 91 p 1

[Summary] As of 20 December, Shanxi Province had procured 85,047 tons of cotton, a 16 percent increase over the same period in 1989.

Commerce Ministry Predicts 'Dynamic' 1991 Pork Market

OW2601075791 Beijing XINHUA in English
0713 GMT 26 Jan 91

[Text] Beijing, January 26 (XINHUA)—China's pork market will be dynamic this year, the Ministry of Commerce predicted.

According to statistics, the country has raised a record 355 million pigs, up 0.7 percent over last year.

It is expected that about 300 million pigs will be slaughtered this year, supplying the market with 21 million tons of pork.

Pork is a main dish on the table of most households in China.

An official of the ministry attributes the good results to last year's bumper grain harvest and the state policy that has ensured that animal feed supplies are adequate and aroused farmers' enthusiasm for raising more pigs.

Anhui's Wuhu City Wholesale Rice Market Opens

*OW1601120291 Beijing XINHUA in English
1002 GMT 16 Jan 91*

[Text] Hefei, January 16 (XINHUA)—The Wuhu wholesale rice market opened in Wuhu City, in central China's Anhui Province, yesterday.

A total of 129 million kg of rice were traded on the market today. Of this amount, 69.5 million kg were sold by auction.

The market is mainly engaged in spot transactions, but will also open forward wholesale transactions.

The old Wuhu rice fair had a history of more than 100 years. Wuhu has established trade relations with 28 provinces and cities, and 130 counties throughout the country since 1984.

Wuhu is one the four major rice trading cities (the other three are Changsha, Jiujiang and Wuxi) of China. Every year 850 million kg to one billion kg of rice are sold to other parts of the country from the city with convenient land and water transportation facilities.

Anhui Province produces a total of 13 billion kg of rice each year.

Guangdong Raises Aquatic Products Output

*OW1601121391 Beijing XINHUA in English
1005 GMT 16 Jan 91*

[Text] Guangzhou, January 16 (XINHUA)—The output of aquatic products of Guangdong Province, south China, surpassed two million tons in 1990, an all-time record and accounting for one-sixth of the national total.

The annual per-capita output of aquatic products by the province has reached 31.7 kg, ranking first in the country.

Thanks to a large-scale campaign to open up tidal flats and offshore waters since 1986, the province has managed to expand its acreage for breeding marine products by 30,000 ha and its acreage for breeding freshwater products by 15,000 ha.

Meanwhile, efforts have been made to upgrade fishing boats to increase the marine fishing capacity. Last year the province's catch of marine products was nearly three times that of 1985.

Besides, the popularization of high-yield techniques or breeding aquatic products has helped increase the per-ha output of fish in 130,000 ha of ponds to 5,175 kg, some 1,455 kg more than in 1985.

At the same time, although the acreage for breeding marine products grew by only 65.5 percent, the output was 4.9 times that in 1985.

The output value of aquatic products now accounts for one-fourth of the province's total agricultural output value.

Supply of Means of Agricultural Production Improves

*OW1901155491 Beijing XINHUA Domestic Service
in Chinese 2140 GMT 18 Jan 91*

[By reporter Mei Jun (2734 0689) and apprentice Liang Dun (2733 4163)]

[Text] Wuhan, 19 Jan (XINHUA)—The national work conference on means of agricultural production, which opened in Wuhan a few days ago, noted that the emphasis for the work on supplying the means of agricultural production this year would be to continue to improve serialized services and establish 15,000 new service networks and stations, thereby increasing the number of serialized service networks and stations for the means of agricultural production throughout China to 100,000.

According to analysis, this year the state will continue to implement preferential policies for the development of the means of agricultural production as commodities, and will guarantee the development of the major means of agricultural production as commodities by taking measures to ensure coal, electricity, and raw materials supply to the producers. Therefore, the market for the means of agricultural production will show steady increases in 1991. As regards the resources of the major commodities, there has been a slight increase in chemical fertilizer, farm chemical remains at the same level as last year, and plastic sheeting shows a decrease.

In 1991 China will continue to monopolize the sales of chemical fertilizer, farm chemical, and plastic sheeting. The central idea is still to "support production, rectify circulation, and serve agriculture." For this purpose, the means of agricultural production corporation under the Commerce Ministry has urged the departments of the means of agricultural production at all levels to follow the principle of "invigorating agriculture by science and technology" and "serving the peasants"; further perfect the service network; and gradually switch from sales operations to sales-and-service operations. It is learned

that this year the departments of the means of agricultural production will mainly provide the following services: chemical fertilizer prepared by special prescriptions and soil measurement will be applied to 150 million mu from 130 million mu of the previous year; the acreage for reasonable application of farm chemical and for scientific prevention and control of plant diseases and insect pests will increase to 100 million mu from 90 million mu of the previous year; and the acreage of the experimental demonstration farmland for the means of agricultural production as commodities will increase to 7 million mu from 6.62 million of the previous year.

Aquatic Production Exceeds Targets of 7th Plan

*OW1901180291 Beijing XINHUA in English
1430 GMT 19 Jan 91*

[Text] Beijing, January 19 (XINHUA)—China produced over 12 million tons of aquatic products in 1990, an increase of 500,000 tons over the previous year and 33 percent over the target set in the state's Seventh Five-Year Plan.

She Danu, the director of Fishery Department under the Ministry of Agriculture, said today that China had planned to produce nine million tons of fish by the year 1990. He noted that the target was met in 1987 and surpassed by 10 million tons in 1988, making China the third largest fish producer behind Japan and the Soviet Union.

The director attributed the sharp increase in fish production to improvements made to the production capacity of the country's fisheries, fish breeding centers, and fish seed production systems over the past few years.

Among all the fishery products produced last year, China turned out 5.15 million tons of freshwater aquatic products and 6.85 million tons of saline fish products, marking increases of 80.7 and 90 percent, respectively, over 1985.

He said that the average annual income for Chinese fishermen rose to 1,306 yuan in 1989, an 108.6 percent increase over that in 1985. He added that the per capita amount of fish products consumed by Chinese citizens in 1990 is estimated at 10.6 kg.

Plans To Build More 'Fast-Growing Forest Centers'

*OW2001144991 Beijing XINHUA in English
1421 GMT 20 Jan 91*

[Text] Xian, January 20 (XINHUA)—China has decided to build about 6.67 million hectares of fast-growing forest centers in the coming decade, according to an official with the Ministry of Forestry.

The official said since 1986 the Ministry of Forestry has built fast-growing forests covering an area of 2.2 million ha.

He said that China lacks forest resources, and has to import over one billion U.S. dollars' worth of wood, paper pulp, paper and other wood products each year in recent years.

Since 1987 China has granted each year discount loans of 500 million yuan (about 100 million U.S. dollars) for fast-growing timber forest construction.

The official said that the state afforestation projects involving World Bank loans of 300 million U.S. dollars have been implemented since late 1990 in 16 provinces and regions throughout China, which is expected to build fast-growing forests covering areas totaling 1.46 million ha.

Twenty-nine of the 30 provincial regions on Chinese mainland have initiated their fast-growing timber forestation projects. And the fast-growing tree breeds planted include eucalyptus, poplar, fir and larch.

Experts Call for Intensified Breeding of Fishery Resources

*OW2501211891 Beijing XINHUA in English
1605 GMT 25 Jan 91*

[Text] Beijing, January 25 (XINHUA)—Experts say that China should intensify its breeding program of fish species in light of dwindling ocean resources, thereby helping to advance offshore fishing.

A group of scientists from the Chinese Society of Aquatic Products made a number of suggestions to concerned government agencies during recent discussions.

The experts pointed out that offshore fisheries resources have played a vital role in China's ocean fishing industry. Since the 1960s, however, the resources have nearly been depleted since no attention has been paid to breeding in order to replenish the resource. A factor adding to the problem is that more of rural surplus labor force has joined fishing teams in the 1980s, thereby worsening the situation.

A recent survey shows that the catch of hairtail fish in the East China Sea has been reduced from 400,000 tons in the 1970's to 300,000 tons today. In addition, a large number of the fish species in the Yellow and Bohai Sea are on the verge of extinction.

However, experts say, that breeding fish will serve to increase the amount of the resource, a fact that has been proven since 1984 by the successful breeding of shrimp. The experts point out that catches representing 10 percent of the fish which are bred would represent a ratio of 1:10 between investment and production.

Therefore, the experts called for the drafting of fisheries reproduction plans for the coming decade, and for measures to ensure that they are gradually carried out. The experts also suggested that preferential policies be given to reproduction, and that breeding zones be placed under an overall administration in order to produce good economic, ecological and social effects to enhance reproduction.

Dec 1990 Import Volume of Cereals, Oils Reported

HK2401101191 Beijing CEI Database in English
24 Jan 91

[Text] Beijing (CEI)—Following is a list showing China's import volume of cereals and oils in December 1990, released by the General Administration of Customs:

Item	Unit	Dec. 1990	Dec. 1989
Cereals	ton	1,220,903	1,079,490
Wheat	ton	1,112,436	951,545
Soybean	ton	141	49
Sugar	ton	174,404	135,804
Animal oils and fats	ton	16,196	4,743
Edible oil	ton	128,353	173,901
Other oils	ton	216,824	169,328

Pork, Vegetable Production Develops

OW2801084191 Beijing XINHUA in English
0818 GMT 28 Jan 91

[Text] Beijing, January 28 (XINHUA)—China has developed a pork and vegetable production network in

recent years in order to guarantee sufficient supplies of the products to home markets.

Last year, the country's commercial departments recorded a 5.29 percent increase in the purchase volume of live pigs, and a 7.76 percent increase in sales volume, compared with 1989.

Today's PEOPLE' DAILY reported that last year the volume of pork products reaching the country's free markets was six million tons, an 11 percent increase over 1989.

The supply of vegetables reaching the market increased from one billion kilograms, in 1985, to four billion kilograms last year.

Five national vegetable production bases, which supply over 30 varieties of vegetables, have been established in China.

Estimates of this year's supply of live pigs will again be sufficient because of last year's bumper grain harvest, and because of the country's preferential policy regarding pig breeding.

However, the state will allocate loans to continue to support key vegetable production bases, and will build more vegetable wholesale markets.

At present, the vegetable companies of China have set up more than 140 wholesale markets in various localities.

Xu Weicheng Urges Socialist Ethics System

91P30064A Beijing SIXIANG ZHENGZHI GONGZUO
YANJIU [RESEARCH IN IDEOLOGICAL-
POLITICAL WORK] in Chinese No 11,
8 Nov 90 pp 8-12

[“Text” of speech by Xu Weicheng (1776 1919 6134) at the Fifth National Ethics Conference: “Create a Socialist Ethical System With Chinese Characteristics”—part II; part I was published in JPRS-CAR-90-086, 21 Nov 90 pp 6-9]

[Text] Now there are people saying that capitalism is superior, and doubtless they mean to say that they are rich. Actually, it is only a very small number of developed capitalist countries that are rich and, taken together, their population numbers only about 700 million. The majority of nations and the majority of people who live in the capitalist world are in dire straits. But people in the past never paid attention to the fact that these nations also are capitalist. There are 42 most undeveloped nations in the world with a per capita gross productive value of less than \$200, and of these, 41 fall within the capitalist realm. These facts can gradually be understood by people. Once they understand these conditions, they can finally understand what capitalism is. If capitalism is indeed superior, why are these poor countries not becoming rich?

In addition, the contradictions between capitalist countries are just now increasing. Especially in this situation when the socialist countries have been weakened, their internal contradictions will most certainly intensify. The most prominent at the present moment are the developments in West Germany and Japan. The contradictions between them and the other capitalist countries will certainly stage some good comedies for us to watch.

There are some people who latch onto a few peculiar examples and say things like: Hong Kong and Taiwan are developing quite quickly; they are Chinese too, but living under capitalism, therefore the capitalist system is superior. The special reasons for these special situations will be more clearly understood by people as time goes by. One of the main reasons in regards to Taiwan is that the average investment in fixed assets is very high. And the reason for that is that when the Kuomintang was defeated, they took the wealth that they had plundered from the entire nation to an island of 10 million people and invested it there—why, the gold they took out of Shanghai alone amounted to 3 million liang. Add to this the fact that the United States, in order to cope with China, provided this island with \$20 billion in aid. This effectively solved the problem of capital primitive accumulation on Taiwan. Why did the United States not invest this much money elsewhere, but spent it all in Taiwan? Fundamentally, it was in order to stymie socialist China. Hong Kong's development cannot be separated from socialist China. Hong Kong has been a colony for a long time, and was never prosperous. Its

prosperity came about because the mainland was liberated. The United States set up blockades, our other ports could not be used, all exports and imports went through this one port—how could it not be rich? In 1997 we are going to take Hong Kong back, and some people in Hong Kong are saying they will find another island and build another Hong Kong. This type of island is not that hard to find. However, people have brought up a question: After you get there, who are you going to do business with? No one can answer this question, so this proposal vanishes like smoke. Answering these questions gradually deepens our understanding of the world. Future developments in the world situation will provide more opportunities for us. Therefore, for us to confirm our faith in socialism is not an impossible task. We only have to do our own thing well, and it can be accomplished.

The big difficulty, the multilayered problem, is still one of values. On the one hand, we should fully believe that the Chinese people's traditional virtues and socialist ethics have lodged deeply in the Chinese people's hearts. The volunteer spirit of hard work and struggle which the hundreds of millions of the laboring masses have exhibited in their labors is extremely precious—for instance, the party spirit shown by the Changchun Rolling Stock Plant. We know that some of the intelligentsia do not fully understand these things. Only when you go down into the enterprises can you see what the values of these hundreds of millions of people really are. A reporter once went to the Dalian Shipyard, wrote up a report, and sent it by wire back to the editorial office. At the end of the report he tacked on a sentence: “Editors, please note: do not edit out the words ‘burning enthusiasm.’” He had been an editor once himself, and when he was an editor, if he had seen the words “burning enthusiasm” he would have eliminated them, figuring them to be meaningless. But he himself had gone down and seen the men staying on the job day after day just because the mission of building the ship for export was so vital. He thought he could find no better words, but had to call it burning enthusiasm. In Nagqu Prefecture in Tibet last year there was a blizzard; more than 1.2 million head of livestock froze to death. Because of rescue work by the government and the leaders, not one of some 200,000 people died, and now production is being restored and expanding. This year they sent two people who traveled for five days to get to Beijing: They brought with them over 36,000 yuan in donations from the masses and contributed it to the Asian Games. They said that they had come to pay back the kindness of the Communist Party. Some people say that today there is no such thing as a selfless contribution, that everything is exchanged on the basis of price. That is not the case in real life. There were a lot of people working on the Asian Games who were completely volunteer workers. This takes place everywhere. But for a time, this was never seen in our propaganda, and it seemed that there was nothing but lying and cheating and swindling going on, whoever had the ability was cheating people. That is why the people were worried: If they saw a good deed to do and did not do it, their conscience bothered them, but if they did a

good deed, they were afraid that people would mock them. People would say, "Who else in the world is like you?" It seemed that people who did good deeds had fallen from heaven, were without form or substance. However, this type of talk recently began to change. Now if someone does a good deed, people will say to him: "There are not many of this type of people around anymore." But this is not to say that people like you do not exist. Actually the people making contributions amount to the hundreds of thousands and are found everywhere. Full consideration should be given to this. However, on the other hand, we believe that it is an extremely difficult struggle to establish a system of values. That is because, although men are regarded as the product of society, this is not to say that first there was the individual and then society was formed: no single person's development can be divorced from his society. However, each person is regarded as existing as an individual, and this individual existence makes it appear as if he can be separated from the social body. Naturally, in actuality, he cannot leave it, for if he were completely divorced from it, he would die. However, he can still believe that he can set himself up in opposition to all of society. It is just like a cell which is unable to entirely leave the body; although it is capable of becoming cancerous, of unlimited enlargement of itself, in the end it destroys the entire body, and loses the basis of existence itself. Because of the modes of production and the limits of man's capacity for understanding, it is still very difficult for a person to understand himself. The ideology of individualism will continue to exist for a long time, probably longer than exploitation systems. For the present, the capitalist class will be exploiting and ruling the laboring people, and it has a very potent ideological weapon, which is the development of individualism. When the individual poor man struggles with the individual rich man, the poor man has no way to win. The other guy has money, has power; you do not and therefore cannot beat him. The African coffee bean is sold to the Europeans for \$1 a kilo; in the common European coffee house, one cup of coffee costs \$1. There is nothing the African can do, because the marketing network is in the other guy's hands. Hainan Island produces coffee of very high quality. We imported some technology, began making instant coffee, and sold it to people for half the price others charged and still could not make a go of it. Because a company like Que-chao Coffee takes out a percentage of the sales income it can cover the world with advertisements, but even if you allotted 100 percent of your sales revenue to advertising you could not beat them. Lenin said that the workers' only strength lies in organization. When you are united, then you have strength. Now the developing countries are chanting that there should be South-South cooperation, but have consistently found it extremely difficult to achieve real cooperation. Because each has its own interests, each has its own account book. As far as the imperialists are concerned, it is most to their advantage to incite the poor nations, the poor people to each look to his own accounts, with the result that they cannot unite and thus can only become their dependencies. And so they put a

lot of effort into proclaiming self-value, saying things like one must find himself, must know oneself, must formulate oneself, must realize one's self—and everyone's self inflates and thus they cannot unite and thus imperialism rules eternally. In this process, they can choose a few people from among the poor and allow them to climb up, thus giving this methodology an even greater attractiveness. To divide and rule the nationalities, to promote self-inflation among the masses—these are necessary for the imperialists, for capitalists to effect their control. Socialist nations like ourselves are based upon the public ownership system, and this forms the common interest and requires that the value system of collectivism coordinate with its economic basis. Without the collectivist ideology, the economic basis of our public ownership system has not a leg to stand on.

Investigating recent world history a bit further, we will also discover that, if the backward nations want to catch up with or to surpass the advanced nations, besides the various demands made upon them in the economic and political areas, they must also meet a criterion of cultural ideological values. That is to say, their own people must overcome the cultural and moral value systems of the previously developed country. The difficulty is that the world culture phenomenon is a snobbish phenomenon. Whoever has the most money sees their culture be the most popular. It creates a sort of enslaved mentality situation. People whose minds have been enslaved cannot possibly overtake people ahead of themselves. World economic development has a rule of imbalance and that is that the follower can overtake the leader because he can use new technologies to create even higher rates of productivity. However, the results of practice show that very, very few nations have overtaken and gone to the forefront; the majority of the nations that fell behind are still behind. This shows plainly that, for economic possibilities to become realities, they must be accompanied by attitudinal and cultural conditions. This is a problem that needs some explanation. We should study the Portuguese, the Spaniards, the Dutch, the English, the French, the Germans, and see what were the differences in value concepts for each over the past 300 years. In the past several decades there have been several countries and areas in Asia, like Japan and the "four small dragons," which have suddenly arisen, whose value systems are different from those of Western peoples. Lee Kuan Yew in Singapore has strongly advocated Singaporean patriotism. This was because Singapore is made up of Chinese, Malays, and Indians. They go to Singapore because it is easy to make money there. Going for this reason, then if you cannot make money finding any other way, cannot possibly provide this country with stable development. No one has a long-term plan. Because of this, Singapore has adapted a great many measures to develop a special type of Singaporean patriotism, which includes a great many peculiar things in morality and value concepts. The Japanese concept of values is not totally like the American. They advocate the group spirit, equate the enterprise with the family, and it is not an absolute form of individualism. If a

Japanese brewery worker goes with his friends to a restaurant to eat and orders a beer, that beer will certainly be the one they manufacture. If the restaurant does not carry that brand, they will proclaim that they are not drinking today. This is something that the Americans can not do. Looking at this situation, if backward nations want to catch up with advanced nations, it is impossible not to have a clash of values. Naturally, the problem is very complicated and cannot be simplified. It has to be studied and considered from the aspect of politics, history, society, and education—it is an immense field of study.

Some of our comrades have suggested that we should now come up with an overall plan for ethics or the spiritual civilization. The idea is quite correct. However, it is impossible at the present time because we have not yet reached a clear understanding of this thing, and if we did it, it would quite likely come out very biased. I hope that we do a bit more investigation and study, so that we do not go too far astray. I think that we should study three questions. The first is exactly what kind of ethical and moral system do we want to create? This is an ethical and moral system for 1.1 billion people, not a book-bound system. That is, what are 1.1 billion people supposed to use as the norm for their personal conduct? This type of ethical and moral system must be beneficial to our nation's modernization and development. If it is not beneficial to it, then the people do not need it. This type of moral and ethical system must be compatible with our policy of reform and opening up. Compatible does not mean equivalent to, and does not mean mutually regulating or even less mean mutually obstructive, but on the other hand means mutually supportive, mutually effective, mutually completing. The practice of reform and opening up cannot help but have an effect on people's moral conduct, practice of morality, and ethical system. We have already witnessed in the area of activism the fact that the people's enthusiasm for work has had an unprecedented increase, people are paying much more attention to scientific advances than ever before. In many of the honest contract enterprises, the workers' sense of participation as owners of the means of production has been greatly strengthened. At the same time, along with development of the commodity economy, there has been a certain development in the fetish surrounding that special commodity called money. Exactly how socialism is to accommodate the changes of reform and opening up, how promote the beneficial and abolish the harmful, is indeed a tremendous problem. Our ethical and moral system must also be able to guarantee China's independence and sustain our traveling the road of socialism. Because it is only this path that is in keeping with the interests of the vast majority of our nation's peoples.

In the above I have merely suggest some topics; the actual content of a system of morality and ethics would have to be studied by others and take form in practice. I think, there are at least two aspects that deserve serious consideration. One is patriotism. Yesterday I went out to

Shangtai Village. The people there have two sayings. One is: "Good parents are not as good as a good country." The second saying is: "Giving away money and goods is not as good as running a good party branch." This is patriotism and love of the party. The improvements in the lives of our 1.1 billion people depend upon the prosperity and wealth of our nation—people should be able to recognize that. However, the problem is that sometimes people do not recognize it. Some university students believe that their attendance at the university depends only upon their own great abilities. From childhood he was given first place; in the tests he beat out all the others, and this was all because of his abilities. But he has never considered the fact that this alone is not enough to get into the university—someone must supply the university. This nation spends about 3,000-5,000 yuan per year per university student. Across the country, however, the average yearly living expenses of a peasant are only 600 yuan. How many peasants have to wear less clothes and eat less food just so one student can go to the university! In one year we matriculate some 600,000 university students—the most there ever were in Old China was 20,000—and if we were to matriculate only 20,000, your little ability would never get you into the university. If the nation did not develop, you could never be a university student. Brilliance and talent would be of no use. Why are people paying for you to go to the university? It is because our nation needs science, needs technology, needs culture. If everyone did not recognize these needs, why would anyone eat less and use less just to let you go to the university? This sort of truth is evident in many aspects of life. I remember when I was young, my mother sat there every day, mending stockings, because my mother had eight kids and in those days we wore knitted stockings, and they would need mending after being washed twice, and had to be darned. Where is the female comrade today who still darns stockings? Is that all because of your ability, and my mother had no abilities? No, it is not. It is because of all those people who made the unselfish contributions to develop the Daqing oil fields, all those people who worked out the technology, worked the petrochemical processes, and so we have nylon-type stockings which do not wear out and which you do not have to darn. It was not the ability of a single person, but was a dependence upon national development and prosperity. This should be something that can be understood, we could condense people's thinking down to this one point: to make this our country a little better. This is the most important content of our morality.

The second most important element is collectivism. The Americans say that their country was built on individualism. We see this as not quite the fact. U.S. independence was not achieved by just depending on individualism. At that time there were 13 states in the United States. At the opening of the Continental Congress, the south was of one mind, the north was of another; the New Yorkers, the Virginians all had their own propositions. Finally, one day, Jefferson uttered his famous sentence: Today we are all Americans; henceforth no one

will call himself citizen of an individual state. It was in this manner that the conference finally reached consensus. At the most dire point in the American war for independence Washington's troops retreated to [Valley] Forge, suffering hunger and cold, lacking ammunition, and out of food. At that time the richest state was New York. The governor of New York decided to collect all the food supplies and ammunition of his guerilla troops and send them to Washington. Within the state, a lot of people objected. He told them, even if our guerrilla forces collapse, if Washington's troops are still here, then there is still an America; if Washington's troops collapse, even though the whole New York force remains intact, there will be no possibility for an America. Is this something that absolute individualism can accomplish? Today, our China is a socialist country founded upon the system of public ownership. If there is no collectivism to correspond with it, then the superiority of the public ownership system cannot fulfill its role. A few days ago a doctoral student said, "I understand it now: Under socialism everyone goes around half hungry, under capitalism some people eat more than their fill while others starve to death just as they deserve to do; when you compare them like this, I still prefer capitalism." Why? Because he believed that he was among those who would be eating quite well, while letting the others starve as they deserve to: That is why he made this choice. He did not take into consideration what is the most numerous type of person on earth. If you want other people to starve to death as they deserve, those other people will overthrow you.

One is patriotism, one is collectivism. These two themes cannot be discarded no matter what. Of course, there are a whole group of other things that have to be studied. The morality of Communist Party members especially is an important subject. This is because, although the population of Communist Party members is only about 5 percent nationwide, the role they play as members of the leading party and the party in power is extremely great. Comrade [Liu] Shaoqi's book *On the Education of a Communist* was immensely influential. Comrade Mao Zedong's works, *The Old Man and the Mountain*, *Serve the People*, and *In Memory of Norman Bethune*, were also important works serving great purpose. Today, with socialism undergoing reform and opening up, the moral education of Communist Party members is in need of a new exposition. In addition to the case of Communist Party members, we also still need to study the problem of political morality, the problem of the morality of civil servants, the problem of the morality of the various trades and industries, the problem of household morality, the problem of social public morality, and other such problems.

Second, we still have to put a lot of effort into making a convincing exposition of the socialist morality that we preach. When we read Confucius' and Mencius' works, we see that much is just logical argumentation, a mere matter of facing up to a challenge, facing up to problems coming from various quarters, and repeatedly carrying on a convincing

exposition. This is the sort of thing that practically all intellectuals in the feudalistic society were doing in common, and did for two or three millennia. This is something that we are in desperate need of being able to do. This sort of exposition is not something that you learn to do in theory and that is the end of it. If we only study it to that level, then we will never be able to put it into practice throughout our whole society, or in actuality have it act as a standard of values within society or play the role of a measure of values. This is because morals play a role by way of men's minds and hearts: you have to cause the people to truly believe: you cannot force them to accept. To achieve this, you have to carry out repeated and difficult exposition and proof. This exposition, also, cannot be divorced from the the people's individual interests: if it is unrelated to their individual interests, even if you want to convince them, it will be impossible. That is why Comrade Mao Zedong said that the basic principle of Marxism is that one must help the masses recognize their own interests, and then organize them to struggle to realize their interests. To recognize one's own interests is not all that easy a task. One must use the Marxist viewpoint to analyze the various relationships of all objectively extant interests and their trends of development and come up with a scientific answer. This has to be the content of our exposition.

Third, we have to do research on how society's actual moral norms are formed. The norms which play a real role are neither formed by that so-called civil contract nor decided by how many want or do not want it, but in actuality are formed because the common people feel that to do it this way is correct and to do it that way is wrong; where do these concepts of theirs come from? Why is it that everyone happens to think in this way? We have spent a lot of energy in studying ethics and have had successes. However, in addition to what some ethic experts or other learned people have written about ethics in some books, we have to study the real history of social morality, that is, the history of the development and the changes in the people's ethical concepts. In a society, a group of people, everyone considers a certain mode of conduct as honorable, and a different mode of conduct as dishonorable: How does this come about? What is the mechanism of its formation? These rules would be of immense use to us. If we understood these rules we could finally realize a whole series of explosive, effective, and stable measures. We would not be launching movements, but would step by step, through a hundred million billion repetitive actions really and truly build up a socialist morality in the real world. This must be done with an understanding of the laws, form some sort of pattern, establish some base areas, utilize and create some mechanisms. I hope that everyone would earnestly study this problem.

Here I would like to cite some examples. For instance, how is patriotism supposed to take root in men's hearts? We usually say that we carry out education in patriotism. We also think that this is necessary, because to develop

patriotic thinking requires a great deal of contextual knowledge. If you do not know this country, then it is hard to talk about fervently loving it. This includes an understanding of the state of the nation, a knowledge of patriots, of the challenges facing the nation, and a knowledge of the threats facing the nation. It also includes a knowledge of traitors, and so on. Through what channels should this knowledge be imparted, how should it be manipulated, so that the broad masses of the people will accept it? These are all questions that have to be studied. However, we can give this a bit more thought: Is patriotism simply a matter of only knowledge? Love is an emotion; emotions and knowledge are related, but they are not the same as knowledge. These things called emotions are cultivated and are not exactly the same things as what is commonly known as knowledge. How are emotions cultivated: this requires additional research. For instance, when celebrating the Spring Festival, the Mid-Autumn Festival, the Dragon Boat Festival, the Chinese eat their mooncakes, eat their rice dumplings. A person goes overseas and stays three years and does not celebrate the Spring Festival, but when that day comes, he feels sad and "from a distant place knows that his brothers have climbed the hill, and everyone is placing their flowers, except one." This is emotion. This sort of emotion can very naturally form within a person, but it also follows rules. In relation to a society, is it possible, according to objective rules, by planning, form a certain type of pattern, a certain type of mechanism, which causes the majority of people to necessarily or comparatively easily foster a certain type of emotion so that everyone likes this type of thing and dislikes that type of thing? Toward this end, we must make further study of the people's customs, habits, the beauties of their land, the unique nationality's esthetic values. These are all necessary for the formation of patriotism.

In other aspects, we have to find a great number of operative measures. In the Changchun Department Store, the interpersonal relationships are very congenial. One of the older workers, because his home was quite distant, requested to be transferred out. After his transfer, he again requested to transfer back. He said that the store was far from his home, but close to his heart. This goes to say that in this particular unit this sort of pattern had already been established. The question is, how is this sort of pattern created? We can sum up our experience, as for instance, respecting people, caring for people, loving people, and so on. But this is still not enough, for we still have to study exactly what sort of operative measures they used. As in the case of the Changchun Department Store, the advanced person does not feel isolated, nor does he feel the grass is greener elsewhere. Seven levels of activities are commended as advanced, from advanced section to national model worker; they are commended at each level, and additionally, each step is taken very seriously, with meetings organized, report meetings held, posters put up: It takes only a small exhibition of goodness to reach a different level of advancement, and so everyone has a chance. Having become advanced one cannot be complacent,

because there are more levels above. Our whole society should be this way, not just seven levels, but 99 levels, so that every individual has a hope of exhibiting himself, to use his own effort to win over the honor of other people, and to advance unceasingly.

A Japanese professor told me that they have stipulated that all grade school children will eat lunch at school, are not allowed to bring food from home, and are allowed to eat only what the school provides. He said that the children's families were of unequal wealth and, if they brought their food, there would be differences in the quality of what they ate. And the children consider food very important, so some could get a sense of superiority, some a sense of inferiority, which is not good for the development of either. He said that middle school students enter puberty and are most concerned about their dress. For this reason, in middle school they require strictly that they all wear the school uniform. In this way they can lead the students to compete in studies, in physical training, in morality; in a word, in those things which a person can accomplish through his own effort. He also said that in Japan, before they graduate from middle school, they all have to take a trip, that this is to expand their horizons and is carried out as part of their education in patriotism. As for the amount of money a student can take on this trip, there is a national standard, with no student taking more than 1,500 yen. If someone takes more, the teacher has the authority to confiscate it, and so everyone takes only 1,500 yen. In this way, none can compare their wealth. Those who know how can spend enough money to have a good time, and still buy a present each for their father, mother, grandfather, and grandmother; those who do not know how to handle money have spent all their money by the third day. This also is a contest. I think that these things he talked about are methods by which cultivation of a people's character and willpower are transformed into real tools. This is a question that must be further studied, a subject with a wealth of content. It includes what one gives to the children to read, what movies to see, what cartoons to watch, what games they play; it also is designing what sort of social activities one participates in, and so on. A great many viewpoints are formed in participation; if one does not participate, if one has no practical experience, and only sits and listens to lectures on morality, the education takes no roots. There are a great many activities which become habits only by constant repetition. Also, we have to imagine what sort of propagation can be used to cover all types of people throughout the entire society.

There is a historical trend to which we should pay attention. The long process of the modernization of Chinese socialism, it can be said, is the process of gradually turning this people into the working class. In 1949 the modern working class in our country amounted to over 3 million people; it has developed so that today the work force has reached 130 million [as published] and there are 80 million part-farmer part-worker laborers in the rural village enterprises. This is a tremendously quick development. On the one hand the ranks

and strength of the working class is continually enlarging, while at the same time, the components of the other classes are entering the working class and bringing along with them their own class consciousness. This process is rampant with contradictions. This is a problem on which we must do concentrated study. The first thing we have to make clear is just what sort of consciousness will necessarily form, given the workers' productive position and productive experience. First of all, the workers are laborers, they depend upon their jobs to eat. There is respect for those who work well with technical ability; the lazy are despised. Second, the labor of the workers is collective labor, not individual labor; it is concentrated within the enterprise according to a single will, a unified plan, and is performed in unison. Because of this the workers are very cognizant of the truth that the world cannot be conquered by depending on the strength of one man. Third, the workers' labor is a labor of strict discipline. This strict discipline is manifested not only in time and place, but especially in craftsmanship. The strict discipline of a craft necessitates that a man cultivate the habit of observing strict discipline in all aspects of his social life. Fourth, the labor of the working class is ever changing, ever new; it is labor wherein technology is forever advancing, and the speed of advance is ever quicker. Today we have a lot of advanced industries, and because they have adapted a great many correct methods, these consciousness elements of the working class have been protected and enhanced and become a tremendous power that can exert a huge influence upon society. We must seriously summarize and study their experiences, and discover the many benefits therein. When Marx and Engels were researching the laws of capitalism, they not only discovered the necessity of socialism replacing capitalism, but at the same time also discovered the material power by which this change would take place, that is, the then proletariat. Today we want to establish a socialist ethical system in China and so we also have to find the material power that will realize our moral ideal. If we cannot rely upon the social experience of a billion working people, all of our work can never easily become a social reality. Our work in ethical studies has already accumulated copious experience and under the new historical conditions we certainly can create great achievements surpassing anything in the past. Now is the time for all ethical workers to display their skill to the full.

Sociological Roots of Prostitution Presented

91CM0120A Shanghai SHEHUI [SOCIETY]
in Chinese No 68, 20 Oct 90 pp 38-40

[Article by Zhang Yiquan (1728 5030 3123): "The Social Background of Prostitution"]

[Text] Prostitution has become a serious social problem in China since the 1980's. In the wake of deepening reform and opening up, and as the commodity economy develops, Western concepts of "sexual freedom" and "sexual liberation" are corrupting the young men and women in China, and as a result, sex crimes are

increasing and prostitution is becoming a particularly serious problem. But [Western influence] is only the external factor. In addition, there are many different and complicated reasons for the prevalence of prostitution.

Perverved Sexual Concepts

Some people say that the prevalence of prostitution today is but the resurgence of the prostitution of old China. This demonstrates that prostitution indeed goes back a long time. But there is one obvious difference between today's prostitution and the practice in old China: It is voluntary today. In old China, women had no economic or personal freedom. Most prostitutes were forced into the profession. Since Liberation, women's social and economic statuses have changed dramatically. Today, most prostitutes take up the profession voluntarily. Why? First, they are driven by their "dream of gold"; second, sexual attitudes have changed. In a feudal society, prostitutes were the lowest, most miserable class of people in society. Their activities did not have any kind of conceptual support; instead, they were on the verge of being suffocated by traditional moral attitudes of "chastity and virginity." Since the 1980's, people's sexual attitudes have been quietly undergoing some changes. People are less concerned about female chastity, something the Chinese once held as more important than life itself. The idea that sexual intercourse is a sacred act to preserve the human race and extend the family is watered down by the emphasis on sheer sexual pleasure. The propagation of sex education and the appearance of "bikinis" and nude models have dispelled the atmosphere of sexual mystery and taboo that had long shrouded Oriental culture.

But even before a correct sexual concept could be established, the country was swept by a wave of ideas that overcorrected the traditional concepts. The removal of sexual prohibitions should be the precursor to the establishment of modern, civilized sexual concepts, but it immediately gave way to people's primitive sexual desires. Since the masses of young people are growing up in a period of transition between the old and the new, and are swept up by the wave of reform and opening up, some young men and women, at a time of budding sexuality, have come into contact with the many "new-fangled" theories, movies, televisions, magazines, and other media that teach them about sex. As a result, they form their own opinion about sex early on. They not only despise the feudal ethical code and prohibitions which warned that "sex is the source of all evils" but are indifferent even to doctrines that conform to society's value system. They stress personal benefit and yearn for freedom, resisting any kind of sexual restraint. Modern technology that helped improve birth control drugs and methods also helped promote promiscuity. Women who have overcome the psychological shadow cast by the social consequences can go after sexual pleasures without fear or worry. Thus, human soul and moral quality are swept clean by ravenous carnal desire. This kind of extreme, perverted sexual attitude is held in esteem and even put into practice by some poorly educated young

men and women who have no spiritual aspirations. This is one of the main reasons why whoring and prostitution are a growing phenomenon today.

The Effects of the Traditional Double Standard in Morality

Traditional feudal culture is deeply ingrained in China. Traditional sexual ethics and morality which are not easily shaken by changes in sexual attitudes are still deeply entrenched in people's minds. The traditional double standard about morality demands chastity from women but permits men to be unfaithful. When women "lose their virginity," they are said to have committed the "worst offense possible." When men are out womanizing, they are having "romantic and poetic affairs." For women, "one misstep becomes an eternal regret." For men, "a prodigal son's return is worth its prize in gold." Bound by such unequal moral standards between men and women, one careless step can land a woman on the road of no return, and one wrong move can ruin her whole life. China's cultural concepts are in a confused state as the old gives way to the new, but traditional morality and ethics still have substantial influence.

The unequal social and economic statuses have also created an inequality in "sexual rights and privileges" between men and women. Women have always lived in a sociopsychological environment that stresses two different sets of value, and, emotionally, they are at a loss. Their moral character is under repeated assault. Some women, for various reasons, end up abusing themselves.

Under the double moral standard, women are given an inferior status. This kind of moral inequality renders women as men's playthings. Men always have some excuses for their whoring, and even their sex crimes or offenses are often accepted and excused by society. In fact, both moral standards and the law are more tolerant toward men. But things are different for women. Whether we are talking about moral standards, public opinion, or the law, they exert tremendous pressure on women. Men's sexual privileges contribute to more extramarital affairs and increased incidents of whoring. Men's sexual needs generate a demand for prostitutes, and in turn prostitution becomes increasingly rampant.

This kind of double moral standard is even more apparent when it comes to love and marriage. Men do not want "unfaithful wives." Loose women make good friends, but they are not suitable wives. Women's virginity still shrouds men like dense fog. Men avoid women who have a "sexual history" or who have been raped, and if they discover that their girl friends or wives have been unfaithful, they would be ashamed to show their faces and may even abandon their partners and look for others who are "chaste." In these situations, without moral tolerance and society's compassion, the abandoned women may become despondent, lose their

conviction, and allow their human dignity to be shattered. In turn, these may give way to antisocial sentiments. Driven by the desire to "avenge" themselves, some women pursue and dally with men as a way to prove their "self-worth."

Imbalanced Socioeconomic Development

Prostitution has social and economic roots. In a society where the productive forces are underdeveloped and socioeconomic development standards are low, the people are neither well fed or clothed, and there is no economic independence for women to speak of. In order to survive, some women must sell their own bodies. In old China, many women were driven to prostitution by poverty. Today, in the wake of socioeconomic developments, living standards have improved, and unlicensed prostitutes are not forced into the profession by poverty. They have regular jobs and incomes and are well fed and clothed. Why are they in the business? It has to do with the economy. If we look at China's economic development today, we will notice an imbalance. There is a wide gap in terms of wealth between the provinces and regions, between the coast and the hinterland, and between cities and villages. Even within the same region, the income gap may be quite wide. This kind of income disparity makes some women relatively poor compared to others. People resort to different means to escape this kind of relative poverty. Some work hard physically and some rely on science and technology. But some women who love ease and hate work and are anxious to get rich may, under certain conditions, turn to prostitution to achieve their goal.

In recent years, in order to smash the egalitarian big pot and cure the people's fear of wanting to excel and get rich, the party and the government have advanced new policies to let "some people get rich first" and to let "everybody get rich together." Implementation of those policies has made some people rich, and as a result, the gap between the rich and the poor has widened noticeably. This widening gap disturbs many, both psychologically and in terms of basic lifestyle. Those who are "unhappy about the inequality" are dissatisfied with their own circumstances and want to be among the first to get rich. A variety of means to get rich are devised as a result. Those who have a competitive edge are among the first to succeed. Others who have the desire to be rich but not the will to work may resort to robbery, theft, prostitution, and other criminal means.

The not-yet-rich are so jealous of the already-rich as to resort to prostitution—this is but one facet of the problem. In addition, among the already-wealthy members of society, some may have money in their pockets but many are not very well educated. They do not save their money and put it in expanded reproduction. Instead, they squander their money and live morally degenerate lives, their most popular pursuits being philandering and gambling. The rich people's glamorous and ostentatious lifestyle no doubt excites many who are not yet rich, but it also leads the more vulnerable astray.

It saps their morale and shatter their ideals. The tenet "everything for money's sake" becomes the behavioral norm. The spiritual realm falls into darkness and confusion. In this filthy and chaotic social environment, some men immerse themselves in womanizing and gambling while young girls who are naive, credulous, and vain sell their sexy bodies and good looks to men. They become whores and trade their youth, tenderness, and charm for colorful pieces of paper money.

The Flaws of Marriage

"To have appetite for food and sex is human nature." When people reach a certain age, they develop a natural desire for sex. They develop the urge to have sexual intercourse with the opposite sex. To a certain extent, marriage is a means by which people can satisfy their sexual desire and is also the most popular and effective means of normalizing man's sexual behavior. Historically, all sexual relations within the institution of marriage are legal, but not all can fully and reasonably satisfy man's sexual desire. For man's sexual desire to be fully and reasonably satisfied, there are at least two necessary conditions: One, both husband and wife must be physically healthy, and two, the marriage must be based on love. If the first condition is not met, sexual desires cannot be satisfied or fully satisfied. If the second condition is not met, whatever satisfaction there is will not be mutual.

If we look at marriages in China today, 60 percent are not based on love, but on factors other than love, the most important being economic. Such marriages which have nothing to do with love, but are sustained by money, are a union of sex and money by way of matrimony and are a "transaction of sex for money." This kind of marriage is but a formality. Some men who are emotionally distressed by this kind of marriage feel that their sexual desires can be satisfied in other ways. Thus, adultery, whoring, and prostitution are increasingly common. In his book *Shengyu Zhidu [Reproduction System]*, Fei Xiaotong [6316 1321 6639] points out that "human sexual desire can be satisfied even without spousal relations, marriage, or family. In fact, it is those institutions that make it difficult for people to get sexual satisfaction." These words pinpoint the flaws of marriage.

From the perspective of the relationship between money and marriage, prostitutes are not the only people who sell their bodies for money. Some women would marry any man so long as he is rich and can afford to take them overseas and give them material satisfaction. After they are married, there is no love between the couple. All the woman wants are money and material goods, and all the man wants is sexual satisfaction. Sexual intercourse between these couples is essentially no different from prostitution. In his book, *Chunqing Fadong [First Stirrings of Love]*, Ma-luo [7456 5012] said, "The only difference between a prostitute and a housewife is the price she obtains and the length of her contract... In both cases, the woman performs a sexual service for the man:

In the former case, the woman has many clients and is paid a piece-rate; in the latter case, the woman serves one man for life."

Modern physiology, psychology, and sociology show that emotional crises in a marriage can lead to frigidity in women and impotence in men. To deal with their impotence, some men would seek extramarital sex as a remedy. Because there are many loveless and unsound marriages in China, and because it is easier to get a divorce these days, the divorce rate has been rising steadily. Consequently, many men no longer have sexual partners in marriage and their sexual behaviors are now no longer bound by marital constraints, and some have no more inhibitions and are ready to hire prostitutes. They are the reason why the prostitution market is expanding.

Society's Growing Mobile Population

Relative poverty and flawed marriages are the fundamental causes of prostitution, but they are not sufficient reasons for its becoming a growing phenomenon. The expanding scope of prostitution is due largely to the population's increased mobility. It is the contact between strangers that facilitates men and women's sexual intercourse. The population's increased mobility is an important social condition behind the spread of prostitution.

As reform and opening up deepen and the economy and culture flourish, the population becomes increasingly mobile. Many people leave their hometown to look for work or to study or travel to other lands for business or pleasure. They form society's mobile population.

Mobility diminishes the traditional society's ability to control the individual, an ability that is based on the close ties between people. Moral principles and public opinion can no longer hold the individuals completely accountable for their conduct. When a person is on his own all the time, family and social ties will weaken, and, if he is in a relatively strange environment over a long period of time, the binding force of his own identity will also wane. Men who are "hungry for sex" will be willing to pay the prostitutes in return for carnal satisfaction. Even if prostitutes had never existed, men would create them. Thus, mobility provides the convenient geographic condition that allows men and women to determine their own conduct and that facilitates whoring and prostitution.

With the lifting of spatial control, the number of foreign and domestic travelers has been increasing steadily. Hordes of rich foreigners and Overseas Chinese as well as Hong Kong and Macao compatriots flock to this country, and they bring with them their native lifestyles. The "winds" of Western lifestyle keep blowing in, changing the behavioral modes of some people who cannot wait to emulate the foreigners, and as a result, there are more procurers of prostitutes, generating a seller's market for the prostitutes. Increased travels (both business and pleasure) and frequent contacts between

the opposite sex not only make it easier to develop a spiritual bond between the two sexes but also make whoring and prostitution easier. As Rene Ju-yi-ang [1446 0122 2491] points out in his book, *Sex and Morality*, "Men who travel frequently have many opportunities to have affairs with women, and women who are on the road are easier to get close to than those who stay home. Every gesture, every move, every glance, and every touch can start something between them. In the big cities, some prostitutes work the suburban commuters. This demonstrates how well they understand the psychology of the travelers. They know where to look for business."

Mobility not only helps diminish traditional society's control over the individuals but actually creates the cultural environment that abets prostitution. This cultural environment is provided by the cities. The cities not only have the magnificence of modern civilization but also their filthy nooks and crannies. Beneath the cities' flourishing civilization and economic prosperity are a jumble of fish and dragons. Everything in the city no doubt appears "sexy" to those who are away from home. From the sexy clothing to the pornographic literature, from the couples kissing in public to the popularity of everything that is obscene, and from the cheerful bars to the decadent night life, they all stimulate the people's sexuality and heighten their sexual urges. And, like adding frost to snow, they further drive the already "sexually hungry" people who are away from home, and the prevalence of prostitution is inevitable.

To sum up the above, prostitution's spread and development is not just the result of changes in sexual attitude and the loss of sexual morality, but is also an inevitable consequence of social development. It is not just the fault of marriage as an institution but a problem which has its roots in the economy. It is not just the intrusion of Western civilization but can be traced to our own social structure. Simply put, the fundamental cause of prostitution is the imbalance between the recent social and human changes and the old order. The old order has lost its effectiveness in controlling human behavior, but a new order has not yet been established. As a result, the dying embers of prostitution are glowing again.

We must understand the above causes and grasp the objective laws before we can prescribe the proper remedies to deal with this ugly phenomenon.

Application of Criminal Law To Prostitution Urged

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[Article by Chen Yehong (7115 2814 1347): "On Prostitution and the Application of Criminal Law"]

[Text] Prostitution is an ugly phenomenon where women sell their bodies and souls and have sexual relations with

their customers for money. Prostitution assails human dignity, violates sexual morality, and exerts a bad moral influence. It is a social phenomenon with a long history.

In old China prostitution was prevalent; some prostitutes were licensed and others were not. In the cities, especially, prostitution was a profession that was an open or semi-open secret. After the founding of New China, in an effort to stem this evil and corrupt phenomenon left behind by the old society, the party and the people's government promulgated a decree to ban prostitution, shelter and educate the prostitutes, and outlaw drug use and drug trafficking in 1950. The state cracked down on brothels and pimps, and it educated, rescued, and resettled many prostitutes, turning them into upright citizens capable of supporting themselves. For 30 years after 1952, prostitution had almost completely disappeared from China. But in the last 10 years, influenced by decadent ideas and lifestyles of the Western bourgeoisie—especially the promiscuous ideas of "sexual liberation" and "sexual freedom" and the idea that "money is omnipotent"—and pornographic and obscene materials—especially pornographic videotapes, audiocassettes, and obscene pictures and magazines smuggled in from abroad—and Western so-called "dances"—such as the striptease—the souls of some young people in China are being corroded and poisoned. As a result, this evil social phenomenon has reappeared in China. At first, prostitution was found only in the coastal cities, but it soon spread and can now be found in the inland cities and towns with better communications systems. Today, this phenomenon is fairly serious and activities are rampant in the coastal regions, especially in the open coastal cities. In the inland cities, prostitutes are seen in public, openly soliciting customers.

The speed at which prostitution has spread and the seriousness of its consequences are causing great concern in society. Jurists have proposed different measures to curtail and ban prostitution. The party and the government are paying much attention and have taken steps to crack down on the activities on many occasions. In November 1989, the State Council planned a large-scale, nationwide drive to eradicate the "six evils," naming prostitution and whoring one of the evils. As early as 1985, Comrade Deng Xiaoping pointed out that, although production had improved in recent years, the pernicious influence of capitalism and feudalism had not been minimized to its greatest extent, and some of the bad things which had vanished after liberation were making a comeback. If we do not determination to change this situation, how can we give full play to the superiority of socialism? If we do not reinforce our spiritual civilization, our material civilization will also crumble. How to eradicate, curtail, and crack down on prostitution and whoring is a new problem facing our reform and opening up. This question should be put on the legislative organs' agenda.

With regard to punishment for prostitution, Chinese law has followed some foreign legislative techniques and has

included some prostitution-related activities and activities to abet prostitution along with their specific charges and punishments in the criminal code. For example, Article 140 of the criminal code stipulates "a prison term of at least three years and no more than 10 years for the crime of coercing women into prostitution." Article 160 stipulates "a prison term of no more than five years, detention, or probation and even the imposition of fines for the crime of luring and keeping women for prostitution for profit." As society's public order continued to deteriorate, the Second Session of the Standing Committee of the Sixth National People's Congress ratified the "Decision on Severe Punishment of Criminal Elements Who Seriously Endanger Public Security" in 1983. Among the provisions, it was stipulated that in more serious circumstances, the crime of luring, keeping, and coercing women into prostitution may warrant the severest punishment allowed by law, even the death penalty. The legislators hoped to curtail prostitution by punishing related activities. As for the punishment of the act of prostitution itself, provisions are found only in the "Regulations of the PRC Concerning Penalties in the Control of Public Security" (referred to simply as "Regulations" below.) It is stipulated that one convicted of prostitution may be detained for no more than 15 days, or given a warning, or ordered to sign a declaration of repentance, or be sentenced to rehabilitation through labor under the "Decision of the State Council Regulation Concerning Rehabilitation Through Labor," and may be fined up to 5,000 yuan. It is this writer's opinion that, for the prostitutes who willingly wallow in degeneration, a few days' confinement and criticism and education are of little consequence. In fact, most prostitutes in the rehabilitation-through-labor camps are repeat offenders; few are there for the first time. As for a fine of less than 5,000 yuan, it is nothing. As a young prostitute by the name of Wang said, "I can make back tomorrow every penny they fine me today." Thus, the "Regulation" is good only for addressing the less serious situations, and relying on it to deal with the really serious cases is obviously too lenient and thus ineffective. Although the "Regulation" stipulates that those convicted are criminally liable, prostitution itself does not constitute a crime in China's existing criminal code, and therefore there is no legal basis for meting out punishment. I personally think that the fact that the criminal code does not penalize prostitution itself and that it penalizes only the prostitution-related activities and activities to abet prostitution really defeats the whole purpose and also makes the law less than fair. This is because, so far as the prostitutes themselves are concerned, whether they become prostitutes or not is up to their subjective will (this is the opposite of forcing someone into prostitution.) In other words, the act of luring and keeping women for prostitution is the external cause and the condition, but it is the prostitutes' own will which is the internal cause and the basis that determines the nature of their conduct. The law does not affix criminal responsibility in the case of a prostitute who directly and actively takes part in an activity that corrupts society's morals, but it seeks to punish severely

only those who lure others into prostitution or who simply facilitate that activity. We may be putting the cart before the horse.

In the actual administration of the law in China, prostitution is usually dealt with in the following ways: 1) Women who are casual offenders or who have been tricked into prostitution are usually redeemed through criticism and education. 2) Women who are repeat offenders but are not considered criminals are punished under Article 30 of the "Regulation" and are rehabilitated through labor. 3) In prostitution-for-profit cases involving serious circumstances, by invoking application by analogy, Article 169 of the criminal code is used to determine the nature of and mete out punishment for the crime of luring and keeping women for prostitution. 4) Cases involving very serious circumstances may come under the description of other indecent behaviors or hooliganism and be dealt with under Article 160 of the criminal code. Today, many more criminal elements guilty of prostitution activities are scot-free either because the crime of hooliganism cannot be established or because an analogy to Article 169 of the penal code cannot be drawn (because they do not meet the condition of being most analogous which is necessary in any application by analogy—to begin with, the actors involved in the crimes are not the same: In one case, the criminal is the woman who sells her own body, and in the other case, it is a person other than the prostitute herself). Besides, convicting a prostitute for the crime of hooliganism is perhaps a little far-fetched. We shall further discuss this point later. We cannot help but blame China's imperfect legislation and the less-than-vigorous crackdowns for the rampancy of prostitution and whoring, the number of people it touches, and the speed at which it is spreading in recent years.

It is my opinion that the punishment for prostitution under the Chinese law is irreconcilably incompatible with the seriousness of the harm it inflicts on society. The judgment of whether a certain conduct is a crime should be based on the amount of harm it renders society. The most intrinsic and decisive characteristic of a crime is that it inflicts harm on society. Meanwhile, because the law is supposed to set society's behavioral norms, its assessment of whether a certain conduct is criminal by itself reflects what kind of behavior is tolerated, restricted, or prohibited, and these attitudes in turn directly affect how people think and act. Thus, when prostitution is rampant, when it is poisoning social tendencies, corrupting society's moral decency, disrupting public security, and jeopardizing the physical and mental well-being of the public, especially the young people, and if no other measures seem to work, I suggest that the country's legislative body look at the relevant foreign laws and integrate them with our own situation and name prostitution explicitly as a crime in our criminal code. In this way, China will have a comprehensive measure to deal with prostitution, a measure which emphasizes ideological, moral, and sex education and other non-crime-related education and which

focuses on the crime of prostitution, including the crime of coercing women into prostitution, the crime of luring women into and keeping women for prostitution, and others crimes described in Article 30 of the "Regulation." Then we can educate those who have not committed the crime of prostitution as well as those who have, punish prostitution-related acts and acts that abet prostitution as well as prostitution itself, and punish ordinary prostitution in less serious circumstances as well as extraordinary cases in very serious circumstances. In turn, we will be able to eradicate prostitution and control the spread of venereal diseases. Of course, in including prostitution in the criminal code, we should also add whoring as a crime and, if the circumstances are more serious, punish those who hire prostitutes, so as to make the law fair. However, this article will only address the crime of prostitution itself.

The so-called crime of prostitution refers to conduct which involves fairly serious circumstances where someone initiates the sale of her body, has illicit sex with another person, and corrupts society's values and moral standards for the sole purpose of obtaining money. The main characteristics, or perhaps we should say the main components, of the crime of prostitution are:

First, the objective victim of the crime of prostitution is the normal order of social administration which is protected by China's criminal law. Prostitution makes inroads on China's social values and causes serious harm and consequences. On the one hand, the criminal act of prostitution corrupts the human soul, especially the souls of young people, and is the direct cause of other crimes. It disrupts the administration of public order, corrupts social values, and damages the socialist spiritual civilization. On the other hand, the crime of prostitution not only seriously damages the prostitutes' own moral character and physical health, turning themselves into society's sinners, but it also helps to once again spread venereal diseases, directly jeopardizing the public's physical well-being, disrupting the people's normal work order and livelihood. The crime of prostitution embodies the characteristics described in Chapter 6, "Crimes of Disrupting the Order of Social Administration," of China's criminal law. Thus the crime of prostitution should be included in this chapter of the criminal law. The direct victims of the crime of prostitution are China's socialist social morals and the people's physical and mental health.

Second, objectively, the crime of prostitution is manifested in the prostitute's own initiative and willingness to sell her body and engage in illicit sex with another person in exchange for money or other material goods, and consequently she disrupts the order of social administration, corrupts society's fine values, and inflicts harm on society. Here, the meaning of prostitution extends to the following five levels: 1) The prostitute sells her body and has sexual intercourse with her customer to satisfy the latter's sexual desires or other perverted sexual demands. If the actor only has contact with the customer but not sexual intercourse, if she disappears after taking

his money, it does not constitute a crime of prostitution, and the conduct may be treated as fraud. 2) The prostitute is selling her own body and not another woman's body; otherwise, the crime is not that of prostitution but of some other kind. 3) The woman sells her body and has sex with the paying customer of her own free will, and this willingness must originate with her and not be coerced by another person. If she did not volunteer but was coerced, threatened, or lured, even if she did have illicit sexual intercourse and did obtain money for it, it would not constitute a crime of prostitution; rather, the person who coerced her into prostitution or raped or lured her into the crime of prostitution will be sought after and prosecuted under the criminal law. 4) The woman committing the crime of prostitution generally has played an active role and has taken the initiative to solicit and lure customers for the purpose of having illicit sex with them in return for money and material goods. 5) The prostitute must be in business for the sole purpose of obtaining money and other material goods rather than for satisfying other desires; otherwise the conduct does not constitute the crime of prostitution. As for whether the act of prostitution was carried out in public or in private, whether it took place in a public place such as a park, a bus station, or a pier, or in a private residence and other clandestine places such as a private hotel, restaurant, or even a cave, it will not affect the constitution of a crime but may affect the type of punishment that is considered.

In analyzing the objective side of the crime of prostitution, we should also stress the very harmful social consequences of prostitution. These harmful consequences can be summed up in the following: First, it disrupts social order and jeopardizes public security. Prostitution is not only illegal conduct in itself, but is also a "medium" for and a link to other crimes. The strongholds of illicit whoring and prostitution are scenes of many other crimes. They are the breeding grounds for such crimes as gambling, theft and robbery, fraud, extortion and blackmail, hooliganism, and assault and are the habitat of a variety of criminal elements. Thieves spend their money on prostitutes and steal again when they are done whoring. Gamblers spend their winnings on prostitutes and steal after they lost their money. They fight over women and commit assault and murder. Some individual households and businessmen carrying large sums of money not only are hooked by the prostitutes but also fall victim to robbery, fraud, blackmail, and extortion. The strongholds of prostitution are also places where criminal elements stash their loot or dispose of the stolen goods. Second, prostitution poses a hazard to the women's physical and mental health. Surveys show 70 percent of the prostitutes to be under 25 years old, with the majority under 20 years old. Prostitution not only inflicts harm on society and individuals, but hurts the prostitutes themselves, both physically and mentally. Not only are their sexual organs damaged, afflicted with all kinds of venereal and gynecological diseases, but mentally they are mortally poisoned, corrupt and degenerate, and shamefully promiscuous. Third, prostitution poisons society's values and corrupts other young people's souls. The prostitutes sell their own bodies, allow

pictures to be taken of them naked or during sexual intercourse, take part in the making of pornographic videotapes, and solicit, seduce, and corrupt young people—these are criminal acts that offend public decency and poison society's morals. Fourth, prostitution causes the resurgence of all kinds of venereal diseases which are now spreading rapidly, getting out of hand. In 1964, the Chinese Government proclaimed to the world that venereal diseases such as syphilis, gonorrhea, soft chancre, and lymphogranuloma venereum left behind by old China had been banished from the mainland. This piece of news had the same global impact as the news of the first successful detonation of the nuclear bomb. But before long, silently, venereal diseases are breeding in China again. According to the Ministry of Public Health, there are at least 250,000 cases of venereal diseases in China today. At the end of 1989, there were 194 cases of AIDS, 146 of them were found in Yunnan Province. The spread of AIDS, known as "supercancer," in China threatens the lives and well-being of many Chinese and their descendants, and people no doubt are terrified. The main cause of the rampant spread of AIDS and other sexually transmitted diseases is prostitution and whoring. Lastly, prostitution has very adverse political fallout. Some prostitutes have been actively soliciting foreigners and Overseas Chinese and have ruined China's moral character. In addition, prostitution also ruins the happiness of many families and strains family relations and even causes many families to break up.

Third, those committing the crime of prostitution are unique: They are women over 16, fit to take criminal responsibility for themselves. China's criminal law stipulates that, except for the mentally ill, people who are over 16 at the time they commit a crime are criminally liable, because, at that age, they are fully capable of distinguishing right from wrong and making judgments and governing their own conduct. Thus, women over 16 should be held criminally responsible for the serious consequences of disrupting the order of social administration and corrupting society's morals. Women between 14 and 16 (referred to as girls) engaging in prostitution are not criminally responsible, because they are physically and mentally immature and are not capable of sound judgment or governing their own conduct. They should be given moral education and sex education, and their parents or guardians should be instructed to discipline them, and the girls may be put under the government's care if necessary. If a prostitute not only is in the business herself but is luring, keeping, or forcing other women into prostitution, she should be prosecuted and punished for the crime of prostitution as well as other crimes. A person who had illicit sex with a prostitute under 14 years old, whether the girl was a willing participant or not, and whether the actor involved knew that the prostitute was a minor or not, he will be punished severely for the crime of raping a minor to demonstrate the law's special protection for minors. Although most prostitution crimes are committed by women, men can be convicted as accomplices who

instigate and abet the crime of prostitution. Pimps who line up customers for the prostitutes are accomplices in the crime of prostitution.

Fourth, the crime of prostitution is committed deliberately and for the sole purpose of obtaining money and material goods. This is the most fundamental character of the crime itself and is also one of the characteristics that distinguishes it from other crimes. The prostitutes know that their conduct will disrupt the order of social administration and corrupt society's morals, but because they love leisure and hate work and are greedy for material goods, and in order to obtain money, they enter into prostitution deliberately. We cannot equate today's prostitutes with the prostitutes of the old days. In the old society, most women were forced into prostitution by poverty. They were hard-working women driven to prostitution for survival. They were abused and tortured by their customers and mistreated and exploited by their procuresses. Today, despite the disparity between the rich and the poor and the fact that some regions remain poverty-stricken, there really is no exploitation and oppression to speak of in our social system. It is not that these women cannot find jobs, nor are they living in utter poverty, even less are they being discriminated against or oppressed in society. They become prostitutes for money and material goods and are complacent with a corrupt and degenerate lifestyle. Thus, it is wrong for our legislators to equate today's prostitutes with those in the old days. Meanwhile, we should also realize that if a woman has illicit sex with another person not for the sake of money but for satisfying some perverted sexual desire, and if the conduct is purely debauchery in nature, it is not a crime of prostitution but that of hooliganism. But sometimes it is difficult to rule out the possibility that some prostitutes have several of the above goals in mind. Then it is necessary to find out which is the main goal. If the main purpose is to obtain money and material goods, then it should constitute a crime of prostitution. In addition, we should pay attention to the matter of initiative—it is what separates the crime of prostitution from the crimes of rape or forcing prostitution.

In addition, the seriousness of the circumstances is also a necessary condition in establishing the crime of prostitution. It is my opinion that serious circumstances may include the following situations: 1) People who make prostitution a profession, that is, they make a living out of prostitution rather than take up a proper occupation. 2) Even if prostitution is not the main profession, some people may engage in prostitution over an extended period of time and repeat the activity and take in numerous clients. 3) People who are state employees, party members, cadres, and military men take part in prostitution, exerting a bad influence on the people around them. 4) People who solicit foreigners, visitors from Hong Kong, Macao, and Taiwan, and Overseas Chinese, generating a very adverse political impact. 5) People who are aware that they have venereal diseases, especially AIDS, but continue to engage in prostitution, thus spreading the diseases. In view of the nature of the contagious diseases and the dangers of

venereal diseases, especially AIDS, the harm such conduct poses to society is every bit as serious if not more serious than premeditated murder and assault. 6) People receiving substantial illegal income, say more than 10,000 yuan from prostitution. If one is truly hard-pressed and is forced into occasional prostitution, and if one is not making a lot of money, and if the mistake can be rectified with education, or if the circumstances are not serious, the person should be dealt with according to the "Regulation" and not the criminal law.

To sum up the above, we should see that only if all of the above four subjective and objective conditions are met and only if more serious circumstances are involved will the act of prostitution constitute a crime. Where the crime of prostitution is established, depending on the nature of the crime, the seriousness of the circumstances, and how harmful the consequences, the person may be sentenced to probation, detention, or fixed-term imprisonment, and meanwhile, all of the money and properties derived from prostitution can be confiscated. At certain times—when prostitution is especially rampant, for instance—if the circumstances are very serious, the "Decision on Severe Punishment of Criminal Elements Who Seriously Endanger Public Security" may be invoked, and the punishment may go beyond fixed-term imprisonment all the way to life imprisonment.

To correctly determine the crime of prostitution, we must draw a clear line between what is a crime and what is not and distinguish one crime from another. I think the following distinctions must be made:

1. The line between the crime of prostitution and an ordinary act of prostitution. This is also the line between what is a crime and what is not. The fundamental distinction between a crime and a noncrime is the amount of harm a certain act inflicts on society. Whether an act of prostitution is a crime or not depends on whether it poses severe danger to society and produces serious consequences. For example, if a person takes up prostitution as a profession, that is, if she is an established and incorrigible prostitute whose main source of income comes from prostitution, and her conduct seriously harms society, then it constitutes a crime. For occasional prostitution which does not produce any serious consequences or jeopardize society, a crime has not been committed, but depending on how much harm such conduct is causing society, the relevant unit should educate through criticism or mete out punishment according to the "Regulation" or the local administrative rules and regulations. If that person simply will not mend her ways, and if the conduct does not warrant criminal prosecution, she may be put into a government facility for care and education.

2. The line between the crime of prostitution and adultery. Adultery refers to the situation where one or both parties are married and the man and woman are having illicit sex voluntarily. Adultery is not a crime in China, but it is conduct condemned by public opinion and social morals and may be subject to administrative

discipline. The difference between the crime of prostitution and adultery lies in the following: First, prostitution as a crime is profit-oriented; the client must pay for the prostitute's service. Adultery on the other hand is voluntary, and money is not a condition or a goal. This is the most important distinction between the two. Second, prostitution is indiscriminate, and any number of people may be involved. Usually the same man and woman are involved in an adulterous relationship. Third, the prostitute usually does not personally know her customer, but the people committing adultery not only know but are very intimate with each other, and their relationship is somewhat shady.

3. The line between the crime of prostitution and the crime of luring and keeping women for prostitution. Both are crimes of disrupting the order of social administration. Their objective victim is society's morals, and subjectively both are deliberate and profit-oriented. But the actors involved and the objective aspects are different in the two situations. The actors in the crime of prostitution are unique. They are limited to women. In the crime of luring and keeping women for prostitution, the actors may be men or women. Objectively, in the former case, it is the conduct of the actor that leads to the disruption of the order of social administration and the corruption of social morals. The latter crime is manifested in the luring or tricking of women into prostitution with money and material goods or in the provision of facilities to accommodate prostitution.

4. The line between the crime of prostitution and the crime of hooliganism. We already talked about this earlier, but in view of the fact that in the administration of justice in China we tend to lump prostitution in more serious circumstances with hooliganism and punish those conducts as crimes of hooliganism, there is a need to compare the characteristics of the two. The crime of hooliganism, also known as the crime of hooligan activities, refers to riot-style fighting, acts of seeking quarrel and making trouble, humiliation of women and other hooligan activities of a serious nature to disrupt public order. The main distinctions between the two are: First, the motive behind the crime of prostitution is sheer laziness, greed, and pursuit of an extravagant and degenerate lifestyle. The motive behind the crime of hooliganism is to challenge society's public order and ignore the state's laws and discipline and social ethics. Second, the crime of prostitution is the sale of one's body for the purpose of obtaining money. The crime of hooliganism is solely a pursuit of obscene spiritual stimulation which does not necessarily involve the sale of one's body. Third, the actors in the crime of prostitution are women, but most crimes of hooliganism are committed by men, although this does not rule out women. Fourth, the victim of the crime of prostitution is the order of social administration, specifically, social morals. The object of the crime of hooliganism is public order. Thus, the crime of prostitution should not be lumped with the crime of hooliganism and should stand as a crime on its own merits.

5. The line between the crime of hooliganism and licentiousness. This is a line that is easily blurred and is

also an area where the administration of justice tends to err. Licentiousness refers to the repeated lecherous conduct and illicit sexual relationship with more than two members of the opposite sex for the purpose of pursuing sexual stimulation to satisfy the individual's perverted psychological needs. Sometimes men and women will crowd into one room and share the same bed and wallow in orgies and communal sex. The crime of prostitution is profit-oriented. Money is a precondition to sexual intercourse. Those who are licentious cannot distinguish right from wrong and have no concept of honor or disgrace. They only want to satisfy their perverted sexual desires and have illicit sex with others, but they are not after money. They often measure their own worth by the frequency of their lecherous acts, as if they aim to "bed every man or woman." Licentious acts are acts of hooliganism which falls under the crime of hooliganism in the criminal law and should be punished as such but should not be treated as a crime of prostitution.

China's existing criminal law was enacted on 1 July 1979, but the dying embers of prostitution did not begin to glow again until 1980, and it has spread rapidly since. Back then, the legislators did not anticipate the serious situation of today and therefore did not define the "crime of prostitution." Today, the spread of prostitution has a very negative effect on society and is producing pernicious consequences. We cannot keep this a secret, but must seek truth from facts. The law, as a form of social consciousness, reflects social existence, and the substance of the law is determined by such existence, and it changes as this existence changes. Since prostitution exists and is endangering society, the criminal law should reflect such existence. Just as Marx said, the legislators do not create nor invent laws. They merely describe the law and consciously bring out the inner law of spiritual relations in the existing laws. Meanwhile, our society calls on the country to use criminal law to severely

punish acts of prostitution and wipe out the phenomenon as soon as possible in order to preserve social stability, give impetus to the socialist spiritual civilization, and safeguard the successful construction of the socialist material civilization. Thus, I suggest adding the crime of prostitution in China's criminal law to punish the conduct of prostitution.

Large Decline Reported in Economic Crime

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1009 GMT 26 Jan 91*

[Text] Beijing, January 26 (XINHUA)—Economic crime dropped drastically in China last year while the economic environment and order improved a great deal, according to sources from the State Administration for Industry and Commerce today.

A spokesman for the administration revealed at a news briefing that a total of 343,000 economic cases were handled last year, a drop of 38 percent compared with that of the previous year. He added that the number of speculation cases decreased by 18 percent in 1990.

The money the administration confiscated and received in the form of fines from these cases amounted to over 970 million yuan, 11.6 percent less than the year before.

However, some major cases, especially those of smuggling, involved increased sums of money, the spokesman said.

He attributed last year's decline of economic crime to the nation-wide economic rectification program, during which one third of the country's firms especially in the spheres of circulation were closed or merged, and party and government officials resigned from their concurrent business positions in various firms.

Reflections on Nature of Future Limited Wars

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[CHINESE MILITIA] in Chinese No 10, 9 Oct 90
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[Article by Xiao Xianshe (5135 7359 4357): "A Retrospective of Limited War Since World War II and Future Prospects"]

[Text] Military science is a "science of the future." The purpose of reviewing, summing up, and studying the limited wars and armed conflicts that have occurred since World War II is to gain a deep understanding of their internal laws, successfully understand their development trends, and, by so doing, effectively control the course of future wars.

After carrying out comprehensive observation of post-War limited warfare and the current international strategic situation, one quickly discovers that in today's modern world, especially as humanity prepares to pass from the 20th century to the 21st, limited warfare will not only become the main form of international warfare, but many complex new developmental trends will become apparent.

I. The Origins of War Will Be Diverse, But Imperialistic and Hegemonistic Policies Will Continue To Be the Main Causes

The causes of limited warfare in the future will be diverse, but the main ones will be: 1) In order to gain control of buffer zones and optimize their strategic positions, the superpowers will incite and participate in warfare. 2) Disputes over national territories and borders will ignite warfare. 3) Ethnic and religious conflict will lead to warfare. 4) Rivalry over economic resources and rights on land and (especially) at sea will be resolved by means of force. 5) Opposition to new and existing colonial rule as well as domestic ruling classes will lead to armed rebellion. 6) Invasions and attempts at expansion carried out by large and small hegemonists against neighboring countries will ignite the fires of war. 7) Large countries and military powers will inflict war upon other nations for the sake of defending so-called "security in their own backyard." 8) Some countries will carry out warning attacks to stave off potential threats. 9) Some countries will carry out sneak attacks and sabotage major targets for the sake of revenge. 10) Some countries will stir up wars in order to shift public attention away from domestic conflicts. 11) Some developed countries will orchestrate experimental wars in order to test new weapons and train themselves in new methods of warfare. However, imperialistic and hegemonistic policies will be the most fundamental causes of warfare and the most frequent. It is worth noting that imperialism, as a source of war, has inevitably manifested itself in new ways under the new conditions of war and peace. In the first springtime of the 1990's, the U.S. military brazenly invaded Panama in full view of the whole world, renewing its image as "the world's policeman." Furthermore, such actions as its economic sanctions against China hint at the fact that its strategy of "peaceful

evolution" masks its intention to stir up internal turmoil. It is quite apparent that the imperialist strategy of "peaceful evolution" has never been totally divorced from armed invasion.

II. The Purpose of Warfare Will Be To Score Political, Military, Economic and Diplomatic Gains

The object of a given war will directly determine its scope, methods, and intensity. Limited warfare in the future will no longer be restricted to the traditional objectives of capturing cities and land, forcing enemies to surrender, and endangering the survival of enemy nations and races. Instead, the primary objective will be to create favorable strategic conditions, combine the immediate objectives of warfare with national strategy, and work to fulfill comprehensive political, military, economic, and psychological missions. Such was the case with the U.S. air raid in Libya in the 1980's. At the same time that they attacked military command organs and important facilities, they achieved the more important objective of "punishing" al-Qadhafi, taking revenge against terrorism, and striking an indirect blow against the Soviet Union. This was also the case with the Soviet Union's invasion of Afghanistan. The objective of that war was to set up a pro-Soviet regime and to pave the way for its "strategy of southern advance." However, among the political, military, economic, and diplomatic objectives of warfare, the deciding factor is political. From the standpoint of developmental trends, various countries throughout the world are advocating more and more clearly that the idea of "giving top priority to politics" be kept in sight throughout the course of limited warfare, and it has even been suggested that military victory can be sacrificed for the sake of political necessity.

III. War Will Be Distributed Throughout the Third-World Countries of Asia, Africa, and Latin America

For a long time, the specter of limited warfare will continue to scourge the many Third World countries of Asia, Africa, and Latin America.

From the standpoint of the international strategic situation, there are two facts worth noting. First, the great numbers of Third World countries and territories in Asia, Africa, and Latin America are situated outside the spheres of influence that were allotted to the major powers by the Yalta agreement. Second, these developing countries and territories are extremely rich in strategic resources, and their geographic position is also very important. This means that imperialists and hegemonists have something to gain in the many Third World countries and territories of Asia, Africa, and Latin America.

From the perspective of the Third World countries and territories of Asia, Africa, Latin America, there are two main factors which could lead to the disaster of war. First, although many countries have obtained independence since the last world war, they have fallen victim to

complex and intense ethnic and religious conflict as well as border wars. In addition, conflict between classes and political blocks within some countries have continually worsened, leading to armed conflict between and within nations, and to bloody incidents in favor of and in opposition to military coups. Second, a common characteristic of the Third World countries of Asia, Africa, and Latin America is their undeveloped science and technology and their backward economies.

IV. The Trend of Warfare Is Toward Fighting Through "Client States"

In relative terms, the use of "client states" in limited warfare is gaining more and more favor with imperialists and hegemonists, especially with the superpowers. The superpowers will do everything they can to avoid direct conflict and to reduce direct participation in limited warfare. What they will do most often is to provide money and guns so that their "client states" will engage directly in warfare to achieve the intended results. Since the last world war, when imperialists and hegemonists have used their own troops directly in large-scale limited warfare (this applies particularly to the U.S. invasions of Cambodia and Vietnam and to the Soviet Union's invasion of Afghanistan), not only have they failed to achieve the intended results, they have become bogged down, suffering huge losses of personnel, wasting large sums of money, and enduring great hardships. Both the United States and Soviet Union have come to understand that it is less costly and risky to fight through "client states." One is free to vary the intensity of one's efforts, and in the political sphere one can avoid or reduce international and domestic criticism and opposition. With regard to this question, the senior military analyst, William O'Brien stated clearly in his book *The Conduct of a Just and Limited War* that "the two superpowers are exhausting every avenue and continuing to strive to avoid this type of conflict (i.e.—direct conflict). These efforts take several forms, including hiring client states, avoiding direct threats against the territory of the other superpower, camouflaging the truth of direct participation by superpower personnel in hot wars, and providing participants in limited warfare with continual support." From this one can get some idea of the "passion" of the United States for fighting its wars through "client states."

V. The Outbreak of Warfare Will Lead to Greater Emphasis Upon Strategic Deceit and Dissimulation

"Attack where the enemy is unprepared, and take him by surprise." This is an ancient and ever-relevant principle. Applied to the limited warfare of the future, it means that many nations will take as gospel the need to carry out surprise and preemptive attacks. It has become a guiding principle of warfare, and as such has become a developmental trend for future limited warfare.

The party which initiates limited warfare always does everything it can to deceive and dissimulate, disguising

its military and strategic operations. Afterwards, it carries out a sudden air or land assault in order to deliver a preemptive strike and force the enemy to have to respond in a hurry to a war for which they were completely or inadequately prepared. Such an enemy might be unable to strike back effectively, for which reason a decisive victory might be obtained early in the war. It must be emphasized that modern scientific and technological advances and the modernization of strategic and tactical early warning as well as the methods of intelligence and surveillance have raised new and higher requirements for the achievement of surprise in warfare, and they have provided more and better methods for achieving this. This will be reflected primarily in efforts to create the necessary conditions for the surprise attacks—carrying out strategic deceit and dissimulation—so many nations throughout the world will consider and use the following measures in a comprehensive manner: 1) They will formulate war plans under tight secrecy. 2) They will make broad use of diplomatic channels to spread disinformation. 3) They will make subtle and secret troop deployments. 4) They will attempt to paralyze the enemy by creating public sentiment in favor of peace, and they will try to take advantage of an adversary that takes its enemy lightly. 5) They will take advantage of favorable dates for the initiation of war (for example, they will choose holidays to carry out surprise attacks). 6) They will carry out effective electronic jamming. 7) They will use advanced weapons and equipment, especially aircraft and tanks. 8) They will use new methods of warfare, such as aircraft which fly at low altitudes and high speeds, in order to maintain flexibility in the air and carry out surprise attacks against distant targets while lightly armed.

VI. Conventional Warfare Will Be the Primary Mode of Warfare, High-Tech Weapons Will Be Used, and the Nuclear Threat Will Still Exist

With respect to the use of nuclear weapons, limited warfare in the future may exhibit new trends.

1. Limited warfare in the future will still be based primarily on conventional warfare. Even the two big nuclear powers, the United States and the Soviet Union, will rely primarily on their superior conventional weaponry to achieve victory under normal circumstances. This is due to the fact that, as modern science and technology develops, and especially as accurate guidance systems and powerful explosives come into use, the destructive power of conventional weaponry is increasingly approximating that of small nuclear weapons, and since the United States and Soviet Union rely mainly upon their superior conventional forces, there is no need for them to make use of their nuclear weapons. For this reason, limited warfare in the future will generally be a matter of conventional warfare or conventional warfare carried out within the context of a nuclear threat.

2. The probability that "nonconventional" weapons will be used in limited warfare has increased. Both the United States and the Soviet Union are stepping up

research into directed-energy weapons and kinetic-energy weapons, which have "special functions." Not only can they be used both offensively and defensively, but they both have broad development prospects in both strategic weapon systems and tactical weapons systems. People generally refer to these modern, high-tech weapons as "nonconventional." They are neither nuclear nor conventional weapons. It is very possible that these weapons will be put to use early in the next century.

3. The possibility of the use of nuclear weapons cannot be ruled out. In the 215 military actions in which the U.S. military has participated since World War II, the possible use of nuclear weapons has been discussed in at least 33 instances. In the 1950's, in Asia alone the United States created at least three nuclear threats, and in 1953 it nearly took the decision to use nuclear bombs against China. Apart from this, the Soviet Union also entertained the idea of using nuclear bombs in the 1960's. The United States and the Soviet Union are now on the one hand working on a so-called reduction of nuclear forces. On the other hand, they are actively researching and developing small nuclear weapons and nuclear weapons with special functions, such as neutron bombs, shock-wave bombs, electromagnetic pulse bombs, and induced radioactivity bombs. Furthermore, they are paying more and more attention to training and preparing their troops for operations under nuclear conditions. From the standpoint of prospects for development and use of nuclear technology, nuclear weapons are proliferating in today's world. By the beginning of the next century, there may very possibly be as many as 30 or more countries with nuclear weapons. When that time comes, it will be hard to avoid the possibility of a limited nuclear war between some of those nations.

VII. The Methods of Warfare Will Be Updated, and Older Models Will Be Continually Discarded

In limited warfare in the future, whether the combatant be a developing Third World nation or a developed nation, the established model of the past (in which the main battlefield was on the ground, large armies engaged in combat, and the strategy was to fight one's way gradually from the front to the rear) will be replaced by a new model in which there is continual development toward vertical strikes, three-dimensional operations, and high technology. New and bold operational methods will be put to use, including the following main ones:

"Surgical" strikes. Nations will rely on advanced reconnaissance and intelligence technology to assist in correctly selecting targets, then they will use highly skilled airborne forces, highly accurate guided offensive weapons, modern surprise-attack technologies, airborne refueling technologies, and electronic jamming technologies to strike decisive blows against vulnerable political, economic, and military targets.

Electronic warfare. After battle sites on the ground, at sea, and in the air, Western nations have classified electronic warfare as the "battlefield of the fourth dimension." It is not

hard to foresee that, in the limited warfare of the future, the relative importance of electronic warfare will rise sharply.

"Special operations." In limited warfare in the future, particularly in rapidly developing incidents, the use of special forces to carry out special operations and special missions will play a particularly important role. The entire world has been extremely concerned about the limited wars that have already occurred since World War II, including Israel's raid in 1969 on a Soviet-built radar, Israel's raid in 1976 on the Entebbe airfield in Uganda to rescue hostages, the raid on a radio station in Grenada by U.S. Army commandos and Navy Seals, and the incident when a special naval fleet and a special airborne logistics regiment from England during the Malvinas [Falkland] Islands War landed on the islands, collected intelligence, and attacked the airport. Many countries throughout the world have now established special forces and are carrying out rigorous training. During the course of professional training, not only do they study foreign languages, the use and maintenance of light arms from all countries, modern communications, explosives, medical care, driving, special parachuting skills, assassination, interrogation, measures to avoid capture, camouflage, and kidnapping, they also carry out survival training under extremely difficult circumstances, in which "neither defeat or death are allowed." Some people train themselves especially to go without food, water, or sleep, and to stay submerged in water for long periods of time. Some people have trained themselves especially to deal with a complete lack of water and food by surviving on wild fruits and animals, and by drinking water from the stems of plants.

VIII. Limited Warfare in the Future May Be Quick or Protracted, But Military Powers Will Put Further Emphasis on Finishing Wars Quickly

In terms of developmental trends, in limited warfare in the future, military powers (and especially those who initiate warfare) will put greater emphasis on fighting quickly and withdrawing quickly.

The problem from the perspective of the United States, the Soviet Union, and many other military powers, is that long, drawn-out limited wars are extremely harmful to the party that initiates them. Once such a war begins to drag out without coming to a decision, it inevitably escalates. International opposition arises and people at home grow tired of war. Such a country begins to feel that "it is being attacked on both sides" and that it has the tiger by the tail and does not know how to let go, that is, there is no hope of victory in war, but its rule is destabilized if it gives up. The costs of such a war are immense, and sometimes outstrip national resources. For these reasons, "the optimum choice" is to carry out an offensive war in which victory is achieved rapidly.

In limited warfare in the future, carrying out protracted war will not be the only correct solution even for the country that is on the defense. When the fires of war

burn for a long time upon one's own soil, they will inevitably bring great losses in terms of national development, human life, and material wealth. For this reason, the leaders of the country that is on the defensive should also do everything possible to bring warfare to an end at an early date.

At the same time, we must be aware that protracted warfare will continue to play a role in the future due to the fact that different countries display different levels of political, economic, and military development. In general, when there is a difference in the power of the two warring countries, the stronger party can only rely on defeating the enemy in the long run. When it is necessary for the sake of political and diplomatic struggle, and when neither of the warring parties is capable of achieving the objectives of war through military means, the battlefield is necessarily a combination of sporadic fighting and negotiation. When the superpowers are pulling strings behind the scenes and, for the sake of their own strategic interests, preventing either party from fighting the war or arriving at peace, the warring parties have no choice but to remain in a stalemated "tug of war."

IX. As the Expenditures Associated With Warfare Reach Unprecedented Heights, Warring Parties Will Pay Closer Attention to Actual Gains and Losses

Under modern conditions, the expenditures associated with warfare have reached unprecedented heights. However, it is an unchanging law of history that no country initiates a war unless it is confident of victory and sure that this victory will make up for any losses incurred.

Paying attention to actual gains and losses incurred through warfare will be an objective requirement of the future evolution of limited warfare. Statistics indicate that if only the U.S. troops (not including the Navy) that are stationed in Europe were to fight a conventional war for one year, it would entail the expenditure of at least \$1 trillion, which is five times the 1985 military budget and is greater than the total fiscal expenditures by the U.S. Government in 1985 (\$946.3 billion). The enormity of these expenditures means that even an economic power will find it difficult to stand the burden of warfare. One can deduce from this that, in limited warfare in the future, if a country seeks only formal victory and is satisfied with nothing less while overlooking the costs associated with it, its losses may not justify its gains. This makes it necessary for each warring party to consider the actual gains and losses of warfare when determining the objective of a given war, determining the scale of the war, planning the course of the war, using combat forces, using technology and equipment, and deciding on operational methods. Each nation must strive to achieve a large victory at the smallest possible cost.

X. The Result of Warfare Will Seldom Leave Either Country Completely Victorious or Defeated

Unlike in the past, the result of limited warfare in the future will seldom leave either party completely victorious or defeated in a military sense. Instead, most of these wars will be concluded by means of diplomatic negotiations and political compromise. One of the most fundamental reasons that this is so is the fact that international political, economic, and military links are becoming stronger all the time. Particularly in terms of economic interests, interdependence on a worldwide scale is gradually becoming a real phenomenon. On the one hand, this means that the various limited wars of the future will directly affect a limited number of countries and territories. On the other hand, the influence of each limited war on the various regions and on the international strategic situation will grow larger, and some will inevitably arouse great concern in countries throughout the world. For this reason, the restraining effect of political factors (especially diplomatic ones) upon military actions will become even clearer. At the same time, these factors will often force the parties to a war to engage in vigorous diplomatic activities during the course of war in order to win over international sympathy and support and, when necessary, to secure international mediation. In a few situations where one warring party or the other possesses an overwhelming advantage and has fundamentally achieved its intended objectives, it may decide on its own to cease military operations and switch to diplomatic struggle as warranted by its own political and diplomatic needs. In most situations, however, limited warfare and military conflict will be resolved and concluded by means of diplomatic negotiations and political compromise.

Army Aviation Profiled

91CM0125A Beijing HANGKONG ZHISHI
[AEROSPACE KNOWLEDGE] in Chinese
No 11, 6 Nov 90 pp 10-11

[Article by Jia Yong (6328 3057) and Sun Xiangyu (1327 4382 3768): "Army Aviation"]

[Text] The following is a soul-stirring picture of "war."

The tanks of the "enemy" converge into an iron river as they roll towards our positions, which sends an alarming sense of terror into the air!

Front-line alert!

Combat helicopters ready to scramble stay vigilantly hidden in the underbrush, their multicolored camouflage blending in with the foliage, making it impossible for high-flying enemy aircraft to detect them. These helicopters wait with rotors slowly turning for the right moment to strike.

Just as the fast-moving tank column charges confidently through a low area, three helicopters soar into the air and then dive back down low to within 10 meters of the

ground where they can stay in the blind area of radar. These terrain-hugging helicopters break through all resistance like a sharp bullet penetrating through a tortoise shell and rush toward the tank column. They explode among the enemy as a dark mass of mines from the sky. This all happens in a twinkling of time that takes the enemy by surprise.

The helicopters dash about as dazzling green circles in the blue sky.

Born in World War II, army aviation provides the advantages of quickness and mobility in battle and it has quickly gained the favor of militaries in all countries. After several decades of trials and hardships, army aviation has now become an important combat force in modern warfare. The United States and the Soviet Union are reported to each have nearly 10,000 combat helicopters, and even India has close to 600.

China's military undoubtedly started late in this area. Only five years ago, after China had cut its military personnel by 1 million, did the Central Military Commission announce the order establishing army aviation. However, the young officers and men of China's army aviation used their special qualities of having the courage to explore and forward thinking in striving to catch up and become the very best.

Duoxiongla Pass is a canyon with an elevation of 4,200 meters above sea level, but only two to three kilometers wide. The long valley has many turns and drops and is difficult to access because of thick brush. The warm winds from the Indian Ocean and the cold currents of the Qinghai-Tibet Plateau converge here. The mingling of these forces causes all things that fly to be apprehensive of the vicious currents there. For many years now, Duoxiongla has been celebrated as a valley of dark death and is a famous "restricted flying zone."

Aviation regiment commander Xing Xigui [6717 0823 6311], deputy commander Dong Shengli [5516 0524 0448], and army aviation officers Zhu Yongchang [2612 3057 2490] and Guo Fengren [6753 6646 0088] braved this area of death. Showing courage, these men wanted to destroy the myth regarding the valley, and even more important, help the thousands of civilians and officers and men in the Motuo area. The mountain pass in this area is blocked by heavy snow for up to eight months each year, often putting the area in a dangerous situation.

Xing Xigui is a man from the northeast who possesses the combined characteristics of caution, fortitude, and decisiveness. His 20 years of aerial combat experience have cast in him the courage, insight, and skill to conquer the skies. However, when flying the "Blackhawk" helicopter into Duoxiongla, Xing Xigui obviously felt some anxiety. This, after all, was the valley of death that no person had flown through before. As he entered the mountain pass the sky was clear, but suddenly dark clouds emerged as if a dark cover descended on him.

Faced with a visibility of only several tens of meters, Xing Xigui had to reduce his speed to 100, 80, 70, until he knew that he was flying at the lowest speed possible, a further reduction in speed and the lift of the rotor would not offset the earth's gravitational pull and would result in the fall of him and the "Blackhawk" into the abyss.

The air currents were coming from several directions at once, making the "Blackhawk" resemble a small boat on the crest of stormy waves. It was buffeted back and forth with the rotor frequently cutting through overhanging ice and snow and giving off a shrill wail. The people inside the helicopter felt an overwhelming sensation in their stomachs. Xing Xigui with his hand on the control stick was sweating and his whole body felt soaked. At this time the air temperature was -38 degrees centigrade. As Xing Xigui sat with open eyes unblinking and both feet lightly and skillfully pressing on the throttle, he did not think time could pass so slowly.

Blue sky again. Xing Xigui's tight chest gradually began to relax as the air beyond the pass started to become transparent. The tree limbs of Motuo were sticking up as if greeting this aerial hero who flew through the valley of death. The hawk-worshipping old people of the Monba and Tibetan nationalities fell down on their knees and worshiped the "Blackhawk."

A triumphant return. Mr. Bai-li-shi [4101 0500 1102], stationed in China as the general trade representative for the Sikorsky Company, gave a dinner for Xing Xigui and the others at the Jijiang Hotel in Chendu. Bai-li-shi, who was on active duty in U.S. Army Aviation for seven years, raised his glass of brandy and congratulated the four outstanding Chinese military men, "This is a feat unsurpassed in the history of helicopter flight."

This was truly an achievement. However, the accomplishments of Xing Xigui and the others go much farther than this one magnificent feat. During almost every dangerous occurrence in southwestern China, such as the earthquake in Yunnan, the train wreck in Sichuan, and the snow disaster in the Nagqu area of Tibet, these four top-notch flyers have flown through fog and over mountains to open up air routes.

Apart from Xing Xigui and the others, a Chinese named Song Fenghu [1345 0023 5706] has had an excellent showing at a French Army Aviation base on the western end of Eurasia.

This newcomer, a Chinese major, has not yet attracted attention from Westerners. Perhaps in their eyes the newly established Chinese Army Aviation is not worth bothering with. After all, French Army Aviation has a brilliant history. Even the U.S. Army Aviation, which is known as the king of low-altitude flying, regards China's Army Aviation as unimportant.

Song Fenghu is not eager to gain recognition for himself. From the arrogant way the French officers looked upon him he could see that French Army aviators were still in

a very proud position. Song Fenghu, who is proficient in nine aircraft types, also conducted studies in the United States. In comparing the United States and France, Song felt that France held some advantages in strategy.

Song Fenghu was not interested in enjoying the beautiful Seine River, Arc de Triomphe, or the lights and sounds of the Paris streets. Nearly all of his time was spent studying new aircraft types and strategies of France. Before leaving China he devoted the last three months to mastering the French language.

Galloping into the sky. The French Army aviators began to view this Chinese major with more respect as he easily and gracefully performed diving, rotor stops, and aerial combat in the proper way. What surprised them even more was how this Chinese military man mastered the flying techniques of French Army Aviation. Even though Song has the friendly facial features of a farmer from northern China, in the eyes of the young French Army aviators he had the characteristic imposing and stern look of a Chinese military officer. They did not realize that the newly formed Chinese Army Aviation had people of this quality.

Five years ago Ma Xiangsheng [7456 3276 3932] was assigned the important position of aviation section leader of a group army at the age of 35. He flew a great deal in the skies about China and during a 21-year career flew 12 aircraft types. Flying was a habit with him and he could not stand to sit in the comfort and quiet of an office. After China's first flight dadui in a group army was formed, he requested to return to the base and become the dadui commander. There is nothing with which to compare the hardships and danger of an aerial commander position.

One day when I was riding in a steeply rising helicopter piloted by Ma Xiangsheng, he said with deep sincerity, "I hate to leave the sky." Since he first piloted an aircraft into the clouds at age 18 he has not wanted to stop. During more than 20 years of trials and hardships, the heavens have not only shown him beautiful patterns of blue skies and white clouds, but also put him through dark clouds, thunder, and rainstorms. Ma has attained superb flying skill that has enabled him to conquer the skies and has become one of China's first group of top-notch helicopter pilots. He is also courageous and has a deep love for the rough and far-reaching sky.

"Even though the first generation of China's Army aviators have a heavy responsibility, we should not have any qualms about accepting this lofty mission," this is what Ma told reporters when saying it seemed that this was the oath being sent by China's Army Aviation to the vast sky.

No matter if it is the Army Aviation commanders who are approaching 50 years of age or the newly graduated "student pilots," nearly every one of these first-generation army aviators possesses an absolutely sincere heart like Ma Xiangsheng, and also "hates to leave the sky" as Ma does.

The heat and scorching sun of July. High-ranking generals Liu Huaqing and Chi Haotian gazed into the sky for a long time and saluted the first helicopter squadron as it swept by. The roar of the engines and the whirling rotors seemed to be saying a sincere thank you to the generals. This was the most grand scene at the mid-July review of armywide training units. At this time, Ma Xiangsheng, Song Fenghu, and their comrades-in-arms again unfolded the elegant power of our Army Aviation.

MD-82 Production

91CM0125B Beijing HANGKONG ZHISHI
[AEROSPACE KNOWLEDGE] in Chinese
No 11, 6 Nov 90 p 2

["Manufacture of the First MD-82 Aircraft Horizontal Stabilizer Completed"]

[Text] On 26 September, China completed the manufacture of its first MD-82 aircraft horizontal stabilizer at the Shanghai Aircraft Manufacturing Plant. The horizontal stabilizer is the component that ensures smooth takeoffs and landings. It is one of the most complicated components, along with the nose and wing assemblies, in aircraft construction. Prior to this time, only the United States, the Soviet Union, Great Britain, and France were capable of manufacturing this component. In June 1988, China and the United States concluded a contract agreement in which the Shanghai Aviation Industry Company would manufacture 40 MD-82 horizontal stabilizers with a total value of \$4.8 million for the American McDonnell Douglas Company. Of these stabilizers, 37 were to be resold to the United States. This horizontal stabilizer is equipped with deicing, control, and delivery systems that are incorporated into the aircraft's wings through feeder lines. There are a total of 660 complicated parts to this horizontal stabilizer.

Paratroop Force Achievements

91CM0125C Beijing HANGKONG ZHISHI
[AEROSPACE KNOWLEDGE] in Chinese
No 11, 6 Nov 90 p 4

["Parachute Team Establishes a New Record for Parachute Step Formation"]

[Text] On 11 September, China's parachute team successfully performed a six-man step formation at the parachute units skill competition, setting a domestic record for the step formation. At 0900 on the 11th, in a cloudless blue sky above a certain parachute landing zone on the Henan plains, six small black dots emerged from a roaring aircraft at a height of several thousand meters. Six colorful parachutes quickly burst open, each one chasing after the next. At 2,000 meters they lined up above each other, forming a beautiful and grand parachute column.

The parachute step formation, also known internationally as the stack formation, requires a high degree of maneuvering skill and mental readiness. Only a small

number of parachute teams in China can perform a four-man step formation. In 1988, a number of top-notch paratroops were selected from parachute units to form the parachute team. In the two years since then the parachute team has shown a heroic and fearless spirit in training and finally mastered the skills necessary to perform a six-man step formation.

On 17 September 1950, in accordance with a decree from the Central Military Commission, a large number of heroes and model soldiers from the PLA [People's Liberation Army] field armies were brought together at the ancient city of Kaifeng to participate in the ceremonial meeting establishing the paratroop force. From this, the paratroop force has emerged as an independent branch of the PLA. Through 40 years of building, the paratroop force, comprised of infantry, artillery, engineer, communication, chemical, and guided missile troops has emerged as a new branch possessing high combat mobility.

Today, all the parachute equipment used by our paratroops is developed and manufactured in China and has achieved an internationally advanced level. The level of training and the quality of units is improving each year. In the last few years we have conducted parachute training and field survival training following parachute drops under complicated conditions such as on plateaus, in extreme cold, in mountains with extreme heat and heavy brush, in the Gobi Desert, in primeval forests, in rivers and lakes, and in waterlogged rice fields. Through comprehensive training, this force now has all of its soldiers trained to jump, can fly out at any time, drop troops anywhere, and be able to fight after landing. It has the capability for all-weather mobile combat. The ratio of serious injuries during air drops is below that of developed nations and our parachuting safety has reached an advanced world level.

Beijing-Jining Air Route Opens

91CM0125E Beijing HANGKONG ZHISHI
[AEROSPACE KNOWLEDGE] in Chinese
No 11, 6 Nov 90 p 5

[Text] On 19 September, southwest Shandong's first military-civilian air facility at Jining Airport officially opened a civil air route. The opening flight was from Jining to Beijing. Trident airliners will make a round trip on the route once every week. The length of the route is 580 kilometers and is the 22d civil air route opened by the CAAC [Civil Aviation Administration of China].

Jining is the economic and cultural center of southwest Shandong. Qufu, the old home of Confucius and the water pools and mountain ridges depicted in the famous classic, *Water Margin*, are all within the city limits of Jining. The use of the Jining Airport will promote economic and cultural development and opening up to the outside throughout southwest Shandong, and it will play an especially big role in developing the local tourism industry.

Fostering Female Pilots

91CM0125D Beijing HANGKONG ZHISHI
[AEROSPACE KNOWLEDGE] in Chinese
No 11, 6 Nov 90 p 5

["China Attaches Importance to the Training of Female Pilots"]

[Text] Even though the cost of training a pilot is about equal to the pilot's weight in gold, China has not interrupted its training of female pilots. Since 1951, China has trained several hundred female pilots in five groups, it is one of the nations that most utilizes female pilots. These female pilots who have undergone painstaking training are able to pilot aircraft that include large-type jet planes. Many female pilots have distinguished themselves while carrying out duties in crop-dusting, man-made rain and snow flights, earthquake relief work, flying civil airliners, emergency airdrop missions, and paratroop exercises. Among the female pilots there are aircraft commanders, flight instructors and teachers, and regiment commanders, some have also been selected as Standing Committee members of the NPC [National People's Congress].

At present, the sixth group, a total of 37 female pilots, is undergoing training at a basic flight school at an Air Force base in the northeast city of Changchun, which is known as the "cradle of pilots." This is the first group of female pilots in which all have attended college. They were selected from over 6,000 competitors in colleges and universities throughout the nation for their superior scores. Not only are their academic test results higher than the previous groups, but they are also in good physical condition and have other good qualities.

According to an introduction by Bai Jingfeng [4101 2529 1496], this group of female pilots range in age from 17 to 20, have broad interests, are fast to master physical tasks, and score higher in psychological evaluations than their male counterparts. "Even more amazing is that they all have a very strong devotion to work and a spirit of being unwilling to lag behind anyone." Bai Jingfeng has been flying for 28 years and still admires the feat accomplished by female pilot Liu Xiaolian [0491 2556 5571]. In 1982, after a serious airplane collision that knocked out her landing gear, Liu faced danger fearlessly and, in spite of pain from injuries, pulled up her plane that was falling into a mountain valley and made a successful crash landing. Liu is now the flight commander of a regiment.

To ensure that these female pilots get into the air as soon as possible, the school has arranged to have teachers that are very experienced in their subjects, and has also drafted a specialized training outline. In addition to political education and military affairs training, the school has set up classes in higher mathematics, physics, microcomputers, English, navigation, and parachute life-saving measures. When they complete the course next May, those students who have met the standards will enter either a flight school or navigation school to

study flight or navigation skills. After three years they will graduate with a special military bachelor's degree and be commissioned as lieutenants in the Air Force. Dedication and hard work will enable 90 percent of these female flight students to complete the program. Political Commissar Bai believes that these female students who possess modern military qualities will become outstanding pilots.

Military Strategy of Mao Zedong Praised

91CM0133A Beijing JIEFANGJUN BAO in Chinese
23 Nov 90 p 3

[Article by Qiu Jingping (6726 0079 1627): "Recovering From Weak Positions in a Game of 'Wei Qi'—A Brief Discussion of the Key Points in Mao Zedong's Strategic Battle Plans"]

[Text] A phrase used by "wei qi" players is "recovering from a weak position," which means that in a game of "wei qi" many mutations can be engendered from out of positions of weakness and disjunction.

War is very much like chess. On the battlefield there are also many big and small "points of weakness." These "points of weakness" can possibly have originally been intended as points of support in the overall game situation and may exert concerted effect in all directions, but they are by themselves very fragile pivots and linkage points. Strategically, they are frequently the enemy's politically and militarily weak and sensitive positions, and when it comes to actual battle and fighting they are frequently the joints between different groups of the enemy, or the "gaps" and "blind spots" in the enemy's strategic deployment.

Moving Chess Pieces Into the Enemy's "Positions of Weakness," Successful Penetration of a Gap Can Turn the Whole Situation to One's Advantage

Penetrating a "Gap" To Improve One's Position. When the Red Army was weak and small, and had to resign itself to passivity, Mao Zedong led the troops of the Autumn Harvest Uprising to Jinggang Shan because these high mountain ranges with dense forests were only weakly controlled by the enemy, and also unfavorable for the movement of the enemy's large bodies of troops. They were indeed strategic "points of weakness" of the enemy. Similarly, after the Red Army moved north, Mao Zedong chose Shaanxi as his base of operations. As soon as the War of Resistance Against Japan started, Mao Zedong ordered three divisions of the 8th Route Army to set themselves up in control of the Luliang, Wutai, and Taihang mountain ranges and to start guerrilla warfare. All these moves amounted to improving one's position through the exploitation of gaps in enemy-controlled territory.

Fighting From Within a "Gap" To Reverse a Situation. During the second counterattack against the "encirclement and suppression" campaign, in the face of a large force bearing down upon the borders, Mao Zedong was

cautiously waiting for an opportune moment. After the right wing of the enemy's 5th Army Group left its positions at Futian, it opened up a "gap," and Mao Zedong, with keen perception, seized this opportunity and ordered his army to take Futian, capture Baisha, go on to turn on Zhongzun, and then to get to Guangchang and Jianning. One may call this gaining a whole "string of pearls" [successes], as he fought his way from the banks of the Gan Jiang right through to the northern mountains of Fujian Province. "The Army has covered 700 li in 15 days, slicing through thousands of enemy troops as easily as rolling up a mat" [quotation from a Mao poem]; to his great satisfaction and in a powerful stroke he smashed the enemy's "encirclement and suppression" attack. In May 1947, our East China Field Army was under serious pressure from a large enemy army. As ordered by Mao Zedong, our Army cautiously awaited the right opportunity. They waited patiently until a gap opened up in the enemy lines, and when the enemy's 74th Division started a rash advance, separating itself from its right and left neighbors, our Army quickly invaded the enemy's right and left flanks and also his rear, splitting the enemy forces and achieving a total annihilation of the enemy.

Moving Within a "Gap" for Own Survival. If an army is forced into a position of extreme passivity or danger, it is generally best to "move out." Mao Zedong's way of "moving out" was also very characteristic: He again and again took advantage of a vacuum or gap in the enemy's deployment to move up and down ingeniously within the enemy's gap.

At the time of the Central Red Army's third counterattack against the "encirclement and suppression" campaign, Mao Zedong led the main force of the Red Army with astounding courage twice through a gap only 10 kilometers away from large enemy forces, slipping out and then again slipping back, truly reminiscent of the old saying, "in minute spaces, he knew exactly where to place his blade." The ingenious part of his four crossings of the Chishui He was that, right from the start, Mao Zedong seized on the enemy's "point of weakness," the empty city of Guiyang, saw it undefended, swept away the local Yunnan troops, then had his eyes on Kunming, to invade it as it was undefended, and then also created a "point of weakness" of the enemy by weakening the enemy's defense line at the Jinsha Jiang. It was there that he finally gave the enemy the slip, haughtily shaking off and leaving far behind several hundred thousands of the enemy troops in his escape of a thousand miles.

With an Eye for the Enemy's "Point of Weakness," Placing One Chess Piece Can Mean Revival in the Overall Situation

In August 1947, Mao Zedong ordered a large army under Liu Bocheng and Deng Xiaoping to make a dash of a 1,000 li into the Dabie Shan range and direct the spearhead of strategic attacks against the enemy's sensitive, but also weakly defended central plains. This was one of Mao Zedong's brilliant strategic moves; as he had

a clear picture of the whole situation in his head, he "placed this piece on the chessboard" and achieved a "revival" over the entire situation. The "attack on key positions" by Chiang Kai-shek's forces east and northwest of the mountains quickly receded like ebb tide at the seashore and soon fizzled out. From then on, our PLA [People's Liberation Army] had the power of a tidal wave over all of the vast battleground. It started in the north at the Huang He and reached south to the Chang Jiang, in the east to the Yellow Sea, and in the west to the Han Jiang, and the PLA was sweeping through the length and breadth of the country in its final fight for supremacy. With this great concept of a counterattack, Mao Zedong's strategy accomplished its objective without letup.

**Slicing at the Enemy's "Position of Weakness,"
Stabilizing the Overall Situation With the Capture of
One Chess Piece**

In the book *On War* it says: "The able strategist makes a good assessment of strength. If he is located in one corner while the empire is shaky, it is best for one who has no fixed abode to get control of it... For one who has conquered one location while all other places are lost it is best to rely on withdrawal." What is this "corner" and this "place" that is of relevance to the whole situation? They are the pivots of strategy and fighting, they are the basic points that decide the overall situation. In "wei qi" chess they are referred to as the "chess spirit," and picking off the "chess spirit" determines victory or defeat over the entire chessboard. Mao Zedong was very capable of recognizing the "chess spirit" and capturing the "chess spirit." In this respect, his direction of the "three large battles" must be called exemplary.

In the battle for Shenyang in Liaoning Province, his main attention was always on the Beiping-Shenyang railway line, and he well recognized the significance of Jinzhou, which, after some back and forth, he finally captured and held.

In the battle for Xuzhou, Mao Zedong concentrated his main attention on one point, Suxian. For two days he repeatedly phoned Chen Yi and Deng [as published] to use their main forces to "get Suxian and cut the Xuzhou-Bengpu railway line." As a result, Suxian was captured, and several hundred thousands of Chiang Kai-shek's troops died "crucified on the cross of Xuzhou."

In the battle for Beiping and Tianjin, Mao Zedong cast his strategic eye on two places, Tanggu and Xinbaonan. Because the terrain at Tanggu was unfavorable for the PLA, he later changed his mind and attacked Tianjin. Once Tianjin was in his hands, he had with one stroke decided the battle over the entire Beiping-Tianjin area.

Ingenious Operation With One Thing in Mind

Military experts over the years have been familiar with the strategy of attacking the enemy at his weak point. There have been such glorious battle examples as "the siege of Wei to rescue Zhao" [a case of relieving the

besieged by besieging the base of the besieger] and "the surprise attack on Wuchao," but the way Mao Zedong recognized the "weak spots" of the enemy and placed his "chess pieces" to exploit these "weak points," and with great ingenuity controlled the overall situation in the battle was certainly unique.

Mao Zedong was directing battles with a great strength of purpose and with the greatest ease. He was capable of seeking out the vital weak point of the enemy and seizing the strategic "weak point" of the enemy, also capable of using strategic schemes, of manipulating the enemy, and of creating of his own making "weak points" of the enemy. Once he had captured the vital point of the enemy, he would immediately attack with all his force. Seeking out the weak spot, creating a weak spot, attacking a weak spot, these were the special aspects of Mao Zedong's strategic thinking.

The way that Mao Zedong turned "weakness" into a means of combat and utilized it as such, can truly be described as attaining the highest stage of absolute clarity and purity of the art. For instance, against the vitally important strategic point of Jinzhou, he adopted a persistent "fight and break down the weak point" attitude. Against the enemy in the Beiping-Tianjin area, he employed an agile "cutting off and breaking down the weak point" strategy (cutting off communications without full encirclement, encirclement without fight). Against the enemy at Zhangjiakou, Xinbaonan, and Nankou he employed an ingenious "keep entangled and break down" strategy (fight, but not too vigorously to gain an immediate victory, in order to keep the enemy from vanishing in a wild retreat). In the case of Suxian, the vital point in the battle for Xuzhou, he employed the swift and fierce "cut down and break down" strategy. Against the enemy's link between Jinzhou and Shenyang, he employed the tenacious "obstruct and break down" strategy. At Mengliangku against the enemy's 74th Division, he employed the forceful "pluck out and break down" strategy (persistently "plucking" at the enemy's main force). Toward Guiyang and Kunming he employed a nebulous "steel-a-glance and exploit the enemy's weakness" strategy (glancing at these objectives as if readying soldiers to attack, while not really dispatching military forces), etc., etc.

"War is truly like a chameleon," conditions are intricate and complex, complicated and confusing. The "weakness" of the enemy is not immediately visible and besides may not be limited to only one spot. Discerning which one among the enemy's various weak spots is critical and of decisive significance requires consideration, evaluation, and a final decision by a man with outstanding perception. Mao Zedong had this kind of outstanding perception.

Being able to place one's "chess pieces" at the "weak spot" of the enemy is much like "pulling a tooth from a tiger's mouth." It requires superhuman daring. For instance, when the Northeastern Field Army attacked Jinzhou, there was the danger of being taken into a

pincer by the two large armies of Wei Lihuang [5898 4539 3552] and Fu Zuoyi [0265 0155 5030]. Precisely as Fan Hanjie [5400 3352 2638] said: "It was a decision only a man of great talent and bold vision could make." Mao Zedong had this kind of bold spirit.

"One who does not plan for all ages cannot plan for one era; one who does not plan for the overall situation is inadequate to plan for one sector." Apart from the "weak spot," one still has to consider the situation as a whole. After "starting out" in the game, there are still a whole series of factors to consider, and one small carelessness can cause loss over the entire chessboard. This all requires a very profound strategic capability. Mao Zedong had this kind of superhuman strategic capability.

Zhu Chao Discusses Henan's National Defense Reserves

91P30081A Zhengzhou HENAN RIBAO in Chinese
25 Nov 90 p 3

[Article by Gu Xiaoqian (7357 1321 0051): "Enhance Quality, Build a Good Foundation, Make More Contributions; Henan Provincial Military District Commander Zhu Chao Discusses the Buildup of Henan's National Defense Reserves"]

[Text] After the conclusion of the Fifth Henan Provincial Party Congress, this reporter interviewed Henan Military District Commander Major General Zhu Chao [2612 6389] regarding the thorough implementation of the spirit of the conference and the further strengthening of Henan's national defense reserve force.

Not long after being appointed Henan Military District Commander on the eve of Army Day this year, General Zhu, who had served for many years in the field armies, led a group of comrades from the Henan Military District to investigate more than ten prefectures and cities where they mastered a large quantity of first-hand information. When this reporter asked the general about his impression of the Henan Military District reserve force, the general replied frankly and in a distinctive military manner: "The overall situation is good, although there are deficient areas needing more work. All in all, it looks promising!"

"What major aspects show that the overall situation is good?" This reporter asked.

"They center on three points: First, there is the good tradition of the party controlling the armed forces. It is already customary for the local party committees and governments to emphasize and support the building up of the reserves, to carry out their duties and responsibilities, to really grasp practical administration, and thus to do excellent work. Hou Zongbin [0186 1350 6333], the provincial party secretary who has only been working in Henan for 10 months, has already come to the provincial Military District [offices] three times, and has held a meeting of the provincial party Standing Committee to conduct special research work on the People's Militia and the reserves for the whole province. Not long after Acting Governor Li Changchun assumed his

position, he led the leaders of directly related departments to the provincial Military District's office to help resolve related problems. Second, there is a good work foundation. National defense education in the province has deepened, and the national defense view of the masses has been strengthened; in working with the People's Militia and the reserves, the old restrictions of the lower-level administrative cycle have been done away with and healthy development is proceeding smoothly; and the building up of the People's Armed Forces Department has seen notable progress and has initially moved onto the right track. The vast People's Militia has participated actively in the construction of the spiritual and material civilizations [liangge wenming jianshe], thereby playing an important role and producing a great number of advanced models, such as the People's Militia Battalion in Liu Village in Xinxiang County; the People's Militia Company in Zhulin Village in Gong County; and others. Third, there are good prospects for development. Since the opening of the Jinan Military Region's Conference on People's Militia and Reserve Force Work this August, all localities in the province have been very conscientious in transmission and implementation, and the upper and lower levels have mobilized, manifesting a satisfying situation of studying advanced things and carrying out implementation. In particular, the opening of the fifth provincial party congress will further promote the buildup of our province's national defense reserves." General Zhu's eloquent replies helped this reporter to deepen his understanding of our province's national defense reserves and to realize General Zhu's sense of responsibility in his work.

"So then, what inefficiencies remain?" This reporter, catching the general's enthusiasm, bluntly asked.

"Certain comrades have a confused understanding of the building up of national defense reserves. They think that, in peacetime, if the People's Liberation Army is strong, the building up of national defense reserves can be taken up or not taken up, and the People's Militia reserve work can be done or not done. This question has already caught the attention of leaders at all levels. A national defense education leadership group has been specially established in the province to deeply carry out national defense education and to continuously raise the national defense consciousness of the vast masses, and especially of the leadership at all levels." Without waiting for this reporter to ask another question, Commander Zhu Chao had already begun to speak about the next step in his plans:

At the Fifth Henan Provincial Party Congress, an even higher demand was put forward on Henan reserve force construction. The party committee of the provincial Military District set down the fundamental ideas for People's Militia and reserve work in the next period: Take economic construction as the center, take the "three implementations" policy for People's Militia

work as the focal point, take three-level standardization as the breakthrough point, forge a base, grasp implementation, seek development, struggle to raise our province's People's Militia reserve construction to a new level within two to three years, and make positive contributions to "advancing with unity, developing Henan."

"A lot of work is needed to realize this goal. The most basic task is to take care of the 'three implementations' in People's Militia work." General Zhu continued: "While accomplishing the building up of the national defense reserves and doing the People's Militia and reserve work, we must conscientiously implement and put into effect the policy of 'controlling quantity, raising quality, taking care of the focus, and building a good foundation,' as proposed by the Central Military Commission. Thus, we must make the People's Militia organization more capable and effective. We must utilize different methods to carry out political education amongst the vast People's Militia and reserves so that politically they are always up to standards. We must continue to serve military construction, to serve soldiers and military dependents, to resolve worries and difficulties, and to make new achievements in stabilizing the troops. Taking fighting power as the standard, we must strengthen the military training of the People's Militia and work hard to raise military quality. People's Armed Forces departments in the counties and cities are crucial to implementing People's Militia work at the grassroots level. We must vigorously strengthen the standardization of the People's Armed Forces departments. Next year, the provincial Military District and subdistricts will tackle the People's Armed Forces departments one by one, and, one by one, bring them up to snuff to see that their organizational structure is even more perfect, that their ideological style is even more up to par, that their system of rules and regulations is even more exact, and that their work achievements are even more notable. This will allow the People's Armed Forces departments to become strong commanding units in leading the grassroots People's Militia work."

"There is still one more important element in the building up of national defense reserves: the mobilization of the masses of People's Militia and reserve youth to actively join in the construction of socialist spiritual and material civilization." General Zhu said, "The People's Militia has an unshirkable duty to advance with unity and to develop Henan. We must firmly establish the concept of maintaining an army for a thousand days and using it for a thousand days; and we must organize the vast People's Militia to take the lead in economic construction and to bear heavy duties. Only by extensively employing the People's Militia in economic construction will we be able to establish the status of the People's Militia, to expand the influence of the People's Militia, to win the praise of the people, and to raise the fighting power of the People's Militia. We must take the lead in studying Lei Feng, establishing a new style, and helping the poor and assisting in difficult circumstances; we must take the lead in changing the prevailing habits and customs and carrying out birth control; and we must take the lead in

observing the law, upholding social order, and expanding activities to protect the factories, mines, villages, and roads. We must fully put into play the leading role of the People's Militia in the construction of spiritual and material civilization in order to make new contributions to building up and developing Henan."

Hearing General Zhu's ringing and forceful words, and seeing his confident countenance, this reporter believes that a new phase in the building up of our province's national defense reserves will surely emerge.

Versatile Plane Makes Successful Maiden Flight

HK1611528 Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 12 Jan 91 p 3

[Report by Jiang Tao (3068 3447): "New Model Domestically Produced Plane's Maiden Flight a Success"]

[Text] Yesterday's maiden flight of the Yun-8C pressurized aircraft, designed and manufactured by the Shaanxi Aircraft Company, was a success.

The Yun-8C pressurized type plane is currently our country's largest in the category of medium-sized, intermediate-range planes.

The originally nonpressurized compartment has been turned into a completely pressurized one; the cargo door and the door-releasing and closing hydraulic pressure and electrically charged pressure systems have been redesigned; the cargo compartment's effective length has been expanded; and an air conditioning and oxygen system has been newly installed. To meet navigational requirements, emergency exits and main loading and unloading frames have been redesigned. The redesigned Yun-8C pressurized aircraft has a life span of 20,000 flying hours and is capable of long-haul flights at an altitude of 10,000 meters. Its payload can contain 20 tons of irregularly packed goods or 16 tons of uniformly packed goods; or two Jiefang-model automobiles or other heavy equipment, such as four standard containers and other fresh and perishable goods. It can also be remodeled as a passenger airliner or passenger-cargo airliner, or as a weather reconnaissance plane, a resource-detecting plane or a forest fire-fighting plane.

Domestic Parachutes Meet World Standards

OW2210422 Beijing XINHUA Domestic Service in Chinese 0821 GMT 21 Jan 91

[By reporter Sun Maoqing (1327 5399 1987)]

[Text] Beijing, 21 Jan (XINHUA)—The parachutes used by Chinese paratroops have reached advanced world standards.

According to a pertinent department of the Air Force, the various types of parachutes developed by our country are suitable for airborne operations by our paratroops in

China's vast territory under complicated terrain conditions. They can be manipulated agilely and are safe and reliable, up to the advanced world standards in terms of all technical requirements. The type-4 parachute is the first type used by our paratroops. This type of parachute was used for parachute training in all kinds of terrains, including plateaus, high and cold areas, high-temperature forests on hills, the Gobi desert, primeval forests, rivers, lakes, and rice paddies, and no incidents occurred. Safety in parachute jumping has reached the advanced world level. The type-9 parachute is especially suited for airborne operations on China's plateaus. It can overcome various effects caused by rarefied air—stronger impact from the opening of the parachute, quicker descent speed, and greater expenditure of the

paratrooper's physical strength. The wing parachute [yi san 5065 0270] is a gliding parachute. Using this parachute, the paratrooper can manipulate the descent speed and can make quick 360-degree turns. It enables the paratroops to come surprisingly from far away to the target spot for an airborne operation, adding to the mysterious atmosphere of heavenly troops coming from the skies.

Chinese paratroops used Soviet-type parachutes in the 1950's and 1960's. In the early 1970's, China began to develop its own parachutes. Now, all parachutes used by our paratroops are made in China and are systematically categorized.

EAST REGION

Shandong Targets Illiteracy in 8th 5-Year Plan

OW0501174691 Beijing XINHUA in English
1523 GMT 5 Jan 91

[Text] Jinan, January 5 (XINHUA)—Educational departments in east China's Shandong Province plan to wipe out illiteracy amongst one million of its residents during the country's Eighth Five Year Plan period (1991-95).

When that objective is reached, 96 percent of young and middle aged people in the province will have attained literacy, said a local government official.

Local statistics reveal that over 6.4 million people, ranging in age from 15-40, have learned to read and write over the past 12 years.

A three tier—village, township and county—adult educational network has taken shape in the province. Ninety-two percent of the townships in Shandong have built rural cultural and technical schools, and over 50 percent of villages have opened night schools.

A concerted effort has allowed 1.2 million graduates from the literacy classes to reached an educational level equal to that of a primary school graduate. In addition, 300,000 people have learned cultural knowledge equal to that of junior middle school students.

Shandong Acts To Eliminate Unjustified Fees

SK0901052791 Jinan Shandong Provincial Service
in Mandarin 2300 GMT 8 Jan 91

[Text] On the evening of 8 January, the provincial government held a provincial telephone conference on checking the three unjustified levies. Vice Governor Ma Shizhong made a speech on checking the three unjustified levies at the conference.

Ma Shizhong said, "After issuance of the decision and the circular of the central and the provincial authorities about resolutely checking unjustified service charges, fines, and financial levies, the elimination of the three unjustified levies has been carried out gradually throughout the province, and quite a few cities, prefectures, and departments have gone into rapid action and done a solid job. However, leaders of a few localities and units still lack an understanding of the harmfulness of the three unjustified levies, and lack the sense of urgency and initiative. Some departments and units have even continuously initiated new items of unjustified service charges and fines in violation of the stipulations of the decision and the circular."

Ma Shizhong pointed out that the three unjustified levies have directly added burdens to enterprises, establishments, and the masses; have deviated from the purpose of wholeheartedly serving the people; and thus have seriously endangered the relations between the party and

the masses and between cadres and the masses. All departments at all levels must regard the checking of the three unjustified levies as a practical action to implement the guidelines of the Sixth and the Seventh Plenary Sessions of the 13th CPC Central Committee; and list it as a major item on their daily agenda in order to achieve real results.

Ma Shizhong pointed out that the checking of unjustified levies will be carried out in three stages this year. The first stage, from now to the end of March, will be designated as the stage of inspection and screening. The major task at this stage is to conduct a comprehensive self-inspection of regulations and policies governing present service charges, fines, and fund collection; the scale and criterion for executing these regulations and policies; the usage of funds collected; and the management situation of the units which directly collect financial levies and impose fines. The second stage, from April to the end of June, will be designated as the stage of examination and handling. The major task at this stage is to offer, in accordance with the limits prescribed by the state, preliminary opinions on handling the present items of service charges, fines, and funds, and then submit these opinions to the office of checking the three unjustified levies at the higher level for examination and approval. The third stage, from July to the end of September, will be designated as the stage of straightening out regulations and establishing systems. The major task at this stage is to draw up effective management regulations and systems for the problems revealed at the stage of screening and consolidation. Emphasis should be placed on defining the duties and management authority of respective departments, strengthening the examination, approval, and management of financial levy items, establishing and perfecting the management system for the financial and material bills of service charges, fines, and financial levies.

Anhui Cadres Urged To Study Socialist Theory

OW2301020891 Hefei ANHUI RIBAO in Chinese
15 Jan 91 p 1

[Dispatch by Xu Dongping (1776 2639 1627)]

[Text] "At the beginning of the first year of our country's 10-year program and the Eighth Five-Year Plan following the successful close of the Seventh Plenary Session of the 13th CPC Central Committee, if we sit down and earnestly study the guidelines of the plenary session and socialist theory, it will certainly have a positive effect on raising the level of our thinking and understanding and promoting the cause of reform and construction." This remark was made by Wang Shengjun, member of the Standing Committee of the provincial party committee, when speaking at the inauguration ceremony of the third theory study class for cadres of provincial departments and bureau. The study class is attended by 76 leading cadres at the departmental and

bureau level. Within a 20-day period, they will concentrate on studying the documents of the seventh party plenum and discuss the theory of socialism.

Wang Shengjun pointed out in his speech, "Now, the party Central Committee demands that the vast number of cadres, leading cadres in particular, study socialist theory in depth. This strategic requirement, based on the situation of international and domestic struggles, the needs of work before us, and the actual state of thinking in our cadres' minds, is of great importance and urgency. Leading cadres have a heavy responsibility. Only by upholding and applying the Marxist scientific theory will they be able to analyze questions correctly, keep to the correct orientation in the unpredictably changing situation, grasp what is of basic importance in the complicated contradictions, and make sure that the decisions they make are correct and scientific." Further, Comrade Wang Shengjun stressed that the present study class must adhere to the principle of integrating theory with practice. Although many of our leading cadres are familiar with the fundamental principles of socialist theory and have read some Marxist classics on scientific socialism, there are always the tasks of restudy and application as far as the integration of the scientific theory with practice in different historical periods is concerned. At present, we should do the following: First, we should take into consideration the reality of the changing international situation, the grim challenge facing socialism, and the various confused ideas in the minds of some people. Bearing this in mind, we should do well in studying socialist theory, think over and solve questions in depth, and unswervingly carry the socialist cause through to the end. Second, in view of the reality that we have to oppose bourgeois liberalization, safeguard our socialist politics, and stabilize the economy of our country, we should raise our consciousness of upholding the four cardinal principles and take the initiative to oppose and criticize bourgeois liberalization. Third, we should study, probe, and answer the various questions encountered in construction, reform, and opening to the outside world in light of the reality of implementing the party's basic line and building socialism with Chinese characters. We should implement the 10-year program and the Eighth Five-Year Plan, make a success of the construction cause for the last decade of this century, and continue to advance the program of socialist modernization.

Gong Yutian, deputy head of the Propaganda Department of the provincial party committee, presided over the inauguration ceremony for the study class.

NORTHEAST REGION

Nonparty Officials Featured in Government Posts

OW1510934 Beijing XINHUA in English
0620 GMT 15 Jan 91

[Text] Shenyang, January 15 (XINHUA)—Zhang Rongming, a 46-year-old non-party personage, works with confidence as vice-mayor of Liaoyang City, northeast China's

Liaoning Province, and is often in complete charge of the city, which has a population of over one million.

Zhang's grandparents are living in Taiwan and her cousins in the United States. This woman with medium stature said: "The Chinese Communist Party (CPC) Liaoyang City Committee gives me all the help in performing my responsibilities."

Zhang, who became a radio engineer after graduating from the Beijing Engineering Institute in 1966, was elected as deputy head of a Liaoyang City district responsible for guiding industrial production in 1984. Upon her election Zhang introduced strict management methods to the district government body and encouraged the development of new products and technology to win recognition in the whole city.

Zhang often recalls that, when she first became vice-mayor five years ago, the organization department of the CPC Liaoyang City Committee recommended ten staffers for her, but she declined all of them because "none of them was to my satisfaction."

She alone chose a Communist Party member of ability by herself as her assistant.

Statistics show that 13 out of the 14 cities in Liaoning Province have vice-mayors who are members of non-communist parties or non-party personages, and 71 counties and districts have such personages holding leading posts.

According to Xu Shuang, an official of the United Front Work Department of the CPC Central Committee, the participation of these people in government administration is in line with the system of multi-party cooperation under which Communist Party organizations at various levels consult with members of non-communist parties and non-party personages on major issues of the state's political and economic life.

He said that recommending non-communist personages to hold leading posts in governments and judicial departments is an important matter to enable non-communist parties to display their role in government and political affairs and in supervising government work.

According to the CPC Central Committee's opinion on adherence to and improvement of the multi-party cooperation and political consultancy system, which was issued early last year, acceptance by various non-communist parties of the CPC leadership is the fundamental basis of such cooperation.

This, however, does not mean that the non-communist and non-party personages in government are only "figure-heads," Xu said.

Guo Yanjie, a non-party personage, now serves as deputy director of the Liaoning Provincial Education Commission.

Once a professor at the Northeast China Engineering Institute, Guo became head of the research division in the institute in 1985. Later, in 1988, he was appointed vice-chairman of the Liaoning Provincial Education Commission.

Even while hospitalized last August, suffering from a severe cold, the 53-year-old Guo made his feelings known concerning a committee decision.

Upon learning that the Communist Party committee of the provincial Education Commission had decided to separate the workers' training division from the workers' training center, Guo, an honest and frank man, immediately phoned the commission. Guo told the commission that such a decision was wrong and would cause disputes between departments over trivial matters, and would reduce work efficiency.

The following day Guo was visited by Wang Chunshan, director of the Education Commission and party secretary, who had come specifically to thank him for his good advice, and inform him the committee had revised its decision.

Guo was happy to see the change and said, "The Communist Party really treats us non-communist personages equally."

Li Maozhi, a non-party personage, who became deputy magistrate of Dengta County in 1985, said, "I am in charge of 11 key departments, which involves the approval of all expenditure in this county with a population of 500,000, and I am really overburdened with such a big responsibility."

Xu Shuang remarked that across the country, non-communist personages are working as leaders at the provincial level in eight provinces, municipalities and autonomous regions as well as nine ministries and state commissions of the central government. Most of them are young, and all of them are capable. He added that the Communist Party wishes to have more of such people on leading posts at different levels.

Xu stated his belief that non-communist personages working at government leading posts help improve government work.

NORTHWEST REGION

Xinjiang Official Details Status of Religion

OW2512131590 Urumqi XINJIANG RIBAO
in Chinese 11 Dec 90 p 1

[Text] Recently, a responsible person at the autonomous regional Religious Affairs Bureau answered a reporter's questions on the state of affairs since the autonomous region implemented interim regulations governing religious activities and interim regulations governing religious personnel (hereinafter referred to as the "two sets of regulations").

Question: How has society responded to the two sets of regulations since their implementation?

Answer: The two sets of regulations have enjoyed close attention from party and government leaders in all localities as well as general support among the broad masses of patriotic religious people and believers. Departments in charge of united front work and religious affairs in various prefectures, autonomous prefectures, and cities have successively organized study sessions and mustered forces to implement the regulations. Urumqi and prefectures and autonomous prefectures such as Ili, Aksu, Kizilsu, Bayingolin, Hotan, Kashi, and Tacheng have successively held publicity and mobilization meetings or organized study sessions and seminars. Patriotic religious people generally believe that the two sets of regulations have constitutional, legal, and policy bases, and are consistent with Xinjiang's realities. They also believe that the regulations are absolutely necessary and their promulgation is extremely timely. Through study sessions and seminars, the Kizilsu Kirgiz Autonomous Prefecture has made proposals to the Chinese People's Political Consultative Conference committee members and religious people throughout the prefecture. Some localities even have worked out specific regulations governing religious affairs in accordance with the spirit of the two sets of regulations.

Question: What role have the two sets of regulations played in strengthening the management of religious affairs?

Answer: The promulgation of the two sets of regulations has provided a regulatory and legal basis for the management of religious affairs. It also has fortified the administrative means of managing religious affairs and enabled the broad masses of believers and patriotic religious people to understand the entire contents of the regulations. This has enabled everybody to study and conscientiously abide by the regulations and to supervise each other. At present, governments at all levels from the county (city) upward across the region have established religious affairs departments. Most counties have set up Islamic associations and other patriotic religious organizations. Towns and townships have formed religious affairs management agencies composed of cadres, believers, and patriotic religious people. These have created good conditions for further implementing the party's religious policy and for strengthening the management of religious affairs.

Question: What new changes have taken place in our region's religious activities since implementation of the two sets of regulations?

Answer: Since the quelling of the armed counterrevolutionary rebellion in Baren Township, especially since July, party committees at all levels have earnestly implemented the guidelines of the 15th Expanded Plenary Session of the Third Xinjiang Autonomous Regional CPC Committee, further implemented the guiding principle that stresses "stability over everything else," paid

attention to building grassroots party and government organs, conducted in-depth education against nationalist separatism, and strengthened the management of religious affairs. The lax management of religious affairs by some localities in the past has been, or is being, reversed. The party's policy of permitting religious freedom has been implemented comprehensively, and normal religious activities continue to be protected. Interference in administrative, judicial, marital, educational, and family planning affairs has declined significantly, and previous flagrant problems in this respect have been dealt with harshly. Party organizations at the grassroots level have been courageous enough to manage religious affairs, thereby establishing the authority of government and stopping and fighting people engaged in illegal acts and sabotage under the pretext of religion. Many localities have reined in the wanton construction and expansion of mosques and basically shut down unauthorized privately run religious schools, classes, and institutions that teach scriptures. The Islamic associations in some localities have trained, or are training, young patriotic religious personnel in a planned manner.

Question: What efforts should be made to improve our region's religious work in the future?

Answer: Religious work in our region is substantial and extensive. In strengthening the management of religious affairs, it is not enough just to rely on the departments in charge of managing religious affairs. All departments concerned must work closely under the leadership of the party committee and government to ensure all-around management. This requires close attention and relentless efforts from party and government departments at all levels. It is necessary to implement the party policies of permitting religious freedom and promoting long-term unity and cooperation between the party and patriotic religious people. In strengthening the management of religious affairs, it is imperative to protect the normal religious activities of the broad masses of believers, to accomplish the task of unifying and educating patriotic religious people, and to pay attention to preventing policy violations. It is also essential to have staunch faith in the principles and policies implemented since the Third Plenary Session of the 11th CPC Central Committee, in the correctness of religious policy, and in the assumption that the majority of religious personnel are supportive of the party's leadership and socialism and can make contributions to building the two socialist civilizations.

Directorate Projects Economic Growth

91CE0186B Taipei CHING-CHI JIH-PAO
in Chinese 17 Nov 90 p 1

[Article by reporter Yu Chih-chin (0060 6400 3830): "Executive Yuan Directorate General of Budget, Accounting, and Statistics Is Confident the Economy Is Recovering—6.14 Percent Growth Is Projected for 1991"]

[Text] The EY Directorate General of Budget, Accounting, and Statistics [DGBAS] pointed out yesterday (16th) that the worst is over; the economy has begun to recover in the fourth quarter of this year. It is estimated that this year's growth rate will be 5.20 percent, and next year we will see 6.14 percent growth, with per capital GNP at \$8,603.

The DGBAS held an evaluation conference yesterday to validate the various statistical models and decided to follow international practice to exclude all variables relating to the possibility of war in the Middle East from the economic figures. Therefore, if war should indeed break out, the above economic forecasts should be adjusted according to the war situation and its effect on oil prices.

The DGBAS points out that they have come up with this year's preliminary economic figures. The following are special features of the economic situation this year and possible future developments:

1. The Middle East situation is not optimistic; global economic recovery has been sluggish, and the rate of economic growth at home has declined this year. Since August, the Middle East situation has been tense at times, and this has had an adverse effect on the domestic stock market and on the investors' enthusiasm. But, because the New Taiwan dollar exchange rates against the Japanese yen and European currencies are lower, the strategy of spreading out the trading regions has been effective, and public spending has continued to increase, the economic indicators have gone up, and the domestic economy has managed to grow. Preliminary figures show 4.07 percent growth in the third quarter and estimate of 4.95 percent growth for the fourth quarter of 1990, resulting in an annual growth rate of 5.40 percent. The GNP for the year is expected to top \$4.3464 billion, which converts to \$161.5 billion, with a per capita GNP of \$7,992.

Taiwan's export and civilian investment is expected to increase, and public spending will continue to grow in 1991. The economy is expected to grow by 6.14 percent next year.

2. The economy is sluggish, agricultural prices are lower, and the rise in product prices has slowed. In the third quarter of this year, tension in the Middle East caused global oil prices to soar. Despite increased output from Saudi Arabia and other oil-producing nations, by the beginning of November, oil price in the world market

doubled last year's in the same period. Domestic wages have also been rising, and product prices have kept pace with that increase. In the fourth quarter, however, supply-demand disequilibrium in some agricultural products caused prices to fall, and in the midst of a slow economy, the unemployment rate began to rise, the rate of increase in domestic wages slowed, and rent also dropped. Statistics and economic forecast indicate that in the fourth quarter, except for a sharp rise in the price index of commercial assets, the domestic product price index has turned out to be lower. Compared to the same period a year ago, the average GNP index is 4.83 percent higher in the third quarter and 2.66 percent higher in the fourth quarter; the consumer price index is 5.67 percent higher in the third quarter and 4.82 percent higher in the fourth quarter.

3. Investment in the civilian sector is inadequate; consumption is lower, and the increase in domestic demand has clearly slowed. In the last three years, Taiwan's export has been increasing at a decreasing rate. There is growing reluctance to invest. In the last six months, civilian consumption has dropped to the lowest level since 1982. The main reasons behind all these are, first, since the beginning of this year, Taiwan's stock market has been on a steady decline. The demand for civilian financial services is dwindling. Second, in the last three years, national wealth has increased and tariff on imported cars has been reduced. The market is now near saturation. Moreover, the bad traffic situation has put a brake on the increase in the number of automobiles. Civilian spending on transportation is clearly not what it used to be.

Editorial Views Exchange Rate, Stock Market, Monetary Policy

91CE0185A Taipei CHING-CHI JIH-PAO
in Chinese 26 Nov 90 p 2

[Editorial entitled "Exchange Rate, Stock Market, Monetary Policy, and the Money Game"]

[Text] Taiwan's stock market has been rising steadily in the last few days. It has gone up 312.32 points since 22 November, a 6.67 percent rise in the index, which sets a record. The main reasons for the stock market's recent performance are: (i) Public order at home has improved; (ii) even the reserve industries are at work, and Wang Yung-ching [3769 3057 1987], in his 10,000-word proclamation, called on the mid- and down-stream industries in Shihhua to put down "roots" in Taiwan; (iii) large amounts of foreign capital have found their way into Taiwan and have ended up in the stock market.

Of the above main reasons the stock market has rebounded, the third point seems to have the greatest impact on the market. This is because prior to the 14th Joint Conference of the Taiwan-U.S. and U.S.-Taiwan Economic Councils, held on 15 Nov, the exchange rate between the new Taiwan dollar and the U.S. dollar had been stabilized at NT\$27.5 to US\$1. But after Fauver

[Fo-er 0154 1422], a deputy assistant secretary at the U.S. Department of the Treasury, hinted repeatedly at the conference that there was room for further appreciation of the new Taiwan dollar against the U.S. dollar, at one time the exchange rate slipped all the way from NT\$27.5 to NT\$27.13. During that time, the Central Bank vowed to maintain the exchange rate at between NT\$27.1 and NT\$27.5. The situation was very similar to that of more than three years ago, and like three years ago, hot money began to flow into Taiwan.

At the end of 1986, Taiwan's stock market index had risen to more than 4,000 points. In particular, after the incident of investors besieging the financial minister's residence, it seemed that stock prices would "go through the ceiling." On the other hand, since the abandonment of the NT\$38 to US\$1 exchange rate, the new Taiwan dollar had been appreciating steadily against the U.S. dollar. Thus, the "appreciation" of the new Taiwan dollar and the "rise" of stock prices seemed "guaranteed," and foreign "hot money" poured in, hoping to make a double profit out of the "exchange rate" and the "investments."

The above-described influx of hot money kept up for two years. In September 1988, everything came to a temporary halt because of the imposition of the securities exchange tax, but not before the influx of "hot money" had produced a foreign exchange reserve of approximately \$74 billion, and meanwhile, increasing at a rate of 50 percent a year, the domestic money supply had surpassed the NT\$2 trillion mark. Meanwhile, at the going price of the dollar at that time, the Central Bank had lost hundreds of billions "on paper" from the dollars it had purchased at a high price. In other words, in those two years, in order to keep the new Taiwan dollar to U.S. dollar exchange rate "steady but rising," we had paid a very high "price" for the consequences of the money game.

It was not until a little more than a year ago that the Central Bank began to realize that the surge in the money supply caused by its exchange policy not only was responsible for the skyrocketing stock prices at home but was also creating tremendous inflationary pressure as domestic production demand fell and consumption demand climbed. As a result, while stabilizing the exchange rate at the NT\$27.5 level, it began to tighten discretionary credit to bridle the raging stock prices and reduce the "impetus" of the influx of hot money.

But the Central Bank's "large net with small loopholes"-kind of discretionary credit control only fanned the wind of speculation of enterprises that decided to put their

loan funds in the stock market. Thus, our monetary policy which was "tight but allowed for some leniency" produced some bizarre and conflicting results: The stock market continued its raging surge and soared beyond the 12,000 point mark early this year, but sagging domestic production formed a sharp contrast to the marked increase in consumption.

The massive industrial flight overseas, which resulted in increased unemployment, led to social unrests. Between spring and summer of this year, there were signs of outflow of Taiwan capital. By the time the Iraq-Kuwait war erupted in the Middle East in early August, the outflow of domestic funds has become a serious phenomenon. In order to sustain the new Taiwan dollar exchange rate against the U.S. dollar at the NT\$27.5 level, the Central Bank sold a record amount of tens of million's worth of U.S. dollars in one day. Despite the fact that the exchange rate was stabilized, the increase in the domestic money supply slowed to a negative rate and the stock market index slipped from 12,000 point to a little more than 2,000 points. All these fully demonstrated that foreign funds not only did not resume their influx but possibly there was still some "exchange-oriented" outflow of domestic funds (for example, changing new Taiwan dollar deposits into U.S. dollar deposits).

In three short month's time, from August to November, the new Taiwan dollar, instead of "must depreciate," suddenly "should appreciate" against the U.S. dollar! Since the latter statement contradicts the former reality, when Fauver hinted that there was room for the new Taiwan dollar to further appreciate, this newspaper printed two consecutive editorials pointing out that there is a wide gap between what he "sees" and what really is. But even though we may not think that this is the right time for the new Taiwan dollar to appreciate in value, the Central Bank still wants to keep the exchange rate within a "narrow range," at the NT\$27.1 to NT\$27.5 level, and "stabilize while raising" the new Taiwan dollar value, as it was more than three years ago. The history made during that time was the result of the world community's "speculation" experience in Taiwan as a "world financial center." In recent days, amid news of the stock market rebounding, one can already smell the breath of the Japanese yen. According to yesterday's report, the Executive Yuan is worried that the rebounding stock market will lead to another money game and has made the following appeal: The exchange rate and stock prices are two major indicators in the money game. If we let the money game jeopardize our monetary policy again and let the history of three years ago repeat itself, society will pay a price, and this time, it may not be just the Central Bank "taking a loss from the exchange rate."

Ideological Conflicts Between Two Democratic Groups

91CM0041A Hong Kong PAI HSING [THE PEOPLE]
in Chinese No 225, 10 Oct 90 pp 55-56

[Article by Ch'en Yuhua (7115 3768 5478): "The Ideological Dispute Between the Hong Kong United Democratic Alliance and the Association for Democracy and People's Livelihood"]

[Text] Is it not true that, ideologically, there are great differences between the Hong Kong United Democratic Alliance [HK Alliance] and the Association for Democracy and People's Livelihood [Association for Democracy]? Do these two groups not represent two clearly different political stands within the democratic factions?

Since the establishment of the HK Alliance, there have been some figures within the democratic factions who have indicated that they have not yet participated actively because they do not agree with certain HK Alliance policies. According to some newspaper reports and commentaries, a portion of the key members of the Association for Democracy take strong exception to the positions of the HK Alliance. In terms of class, they view the HK Alliance as taking the middle- and upper-class line, and in terms of the position on China, they view the HK alliance as embracing an attitude of "democracy versus communism." Recently, Feng Chien-chi's [7458 2914 1015] announcement of plans to unite with Luo Xiangguo [5012 4382 0948] and participate in elections raised an immediate, great cry of dissatisfaction within the HK Alliance. According to reports, there are some who find fault with the Association for Democracy for "taking the capitalist road" and "being close to China." In these disputes, the so-called struggle between two policies is become more and more evident, yet at the same time it is becoming more confused. Do the various changes actually demonstrate that each group is going its own way?

The Struggle for Election Benefits

It has been said that some figures in the Association for Democracy have some problems with the HK Alliance; they point to the HK Alliance's closeness to China and its "walking an upper-class road." They also believe that there is little action behind the HK Alliance, and one member of the Association for Democracy's executive committee even believes that "in fact, in the final analysis the HK Alliance does not want the Association for Democracy to expand its influence in terms of election benefits and in tests of strength between political parties, and that two people from Shenshuishe will be Legislative Council members."

This member of the executive committee also said that the Association for Democracy is not that mindful of whether it is close to China or not. Although Luo Xiangguo is deputy chairman of the Association to Build Hong Kong, there have not been any public documents

that indicate a closeness to China. Luo Xiangguo, discussing the fact that he has labelled himself as being close to China, states that he has no opinion: "I cannot be given this label. To me, this is not an important question; I know myself what the score is. If city residents do not elect me because I have this reputation, I would not take offense, although I feel the situation is so critical. I would hope that if I lose it would be for a wide variety of reasons, and not for this reason alone."

Although the "Luo Xiangguo incident" has once again brought out the differences between the democratic factions, HK Alliance figures flatly deny that it is relevant to the debate. Yang Sen [2799 2773], deputy chairman of the HK Alliance, stated this clearly. He said that there simply was no "Luo Xiangguo incident." "There simply was no so-called incident, we have no grievances, and all the things that outside circles are talking about are premature. The HK Alliance cannot fix its election list until the end of November, and the Association for Democracy will also do this in November. To say that the two have fallen out is simply not the case."

The Position on China Invariably Brings Debate

No matter how many struggles over personnel matters this incident involves, some key members of the Association for Democracy state that they cannot agree with some of the HK Alliance's political positions. Hence, in terms of their position on China, Yang Sen, HK Alliance's deputy chairman, doubtfully said that the Association for Democracy is itself a member of the Hong Kong Alliance in Support of the Patriotic Democratic Movement in China [the Support Alliance], and also basically supports its position; hence there is no great meaning in splitting hairs. Yang Sen said, "The Support Alliance is not the same as the HK Alliance, and the members of the Support Alliance do not vote for us, because we represent the HK Alliance. The HK Alliance political program clearly states that, as Chinese, we have the right to comment on the affairs of China." Yang Sen said, with a trace of puzzlement, "I do not understand the meaning of democracy versus communism. Their desire to label us is also useless. Instead, we should ask them to explain things clearly. As a matter of fact, what some people talk or write about does not represent the position of the Association for Democracy."

Although it is difficult to make sense out of Yang Sen's statement on democracy versus communism, a portion of the members of the Association for Democracy feel that the overall line of the HK Alliance, in terms of its position on China, is in fact democracy versus communism. They also feel that there is a serious overlap between the leadership levels of the HK Alliance and the Support Alliance, and hence, in the actual political environment of Hong Kong, this will put the HK Alliance in a thankless position with both sides.

At present, the leadership of the HK Alliance knows that, on the one hand, if they wish to increase their influence

in real politics, they must have a dialogue and connections with the Chinese side. On the other hand, they assume the anti-communism of the Support Alliance, and pooh-pooh China's current regime. Although HK Alliance figures have said that these are two different groups and that there is a distinct division of labor within their leadership levels, and while the groups do use different people to represent them when making statements, their identities are blurred. Hence, everyone knows that in reality they are two sides of the same coin. One member of the Association for Democracy stated, "They are very opportunistic, but in terms of political wisdom they are not mature. Take Martin Lee Chu-ming [2621 2691 6900], for instance; he finds himself in a tight situation and doesn't know what to do."

This figure pointed out that the Association for Democracy will clarify its position on China through proposals on political party formation that are written at the general membership meeting to be held 4 November. He stressed that the Association for Democracy's position on opposition to the 4 June suppression is firm. Members of the Association for Democracy also are unlikely to have private contacts with Chinese officials, although this does not represent antagonism towards China. He believes that in real politics, on the contrary, it is necessary to maintain a dialogue. The dialogue could touch on issues concerning Hong Kong people's livelihood, human rights, and also humanitarian aspects.

With regard to resentment by the Association for Democracy towards the HK Alliance's taking an upper-class line, Yang Sen stated that he personally has no opinion. He did say, "What should we call their class position? The best thing to do in this case is to clarify the issue based on their explanations. Do we have substantial differences with them? Here it is best to look at political platforms, or our statements on social policies. We help illegal workers with lawsuits and oppose such things as the Medical Administration Agency recouping costs and the Social Welfare White Paper. We do not want to pass judgement, but nevertheless there are major differences."

Both Organizations Stress the Interests of the Whole

What is amusing is that this time the Association for Democracy has pushed forward Luo Xiangguo, who is not very well suited to the grassroots quality image stressed by this organization. The result is that the HK Alliance has questioned the validity of this claim. Luo Xiangguo is from the middle class and is an economic specialist. He has been consistently reluctant to set foot in political waters. A short time ago, he and other figures organized the Association to Build Hong Kong. Now he unexpectedly states that he plans to jointly participate in elections with Feng Chien-chi. This has naturally drawn speculation from all sides, and even made people doubt whether the Association for Democracy will stick to its lower-class position. In the final analysis, will the Luo alliance have any significant meaning for the Association for Democracy?

It is understood that the Association for Democracy's move to draw in Luo Xiangguo is in fact the first step in that organization's advance towards another stage in its long-term development. One member of the executive committee stated directly, "Our acceptance of Luo Xiangguo has a symbolic nature, symbolizing that the Association for Democracy is on the way to maturation." At present the Association for Democracy is actively engaged in work to turn the organization into a political party. To coordinate future development, the Association for Democracy will bring in even more enlightened professionals in order to aid its move towards building a more mature political party.

Luo Xiangguo stated that his starting point for considering problems is the economic interest of the whole, although he pays close attention to the effect implemented policies have on the proletarian masses and the interests of the middle and lower classes. "When the 'economic' pie is somewhat larger, everyone will be in a better position; the interests of the lower strata and the interests of the whole are not mutually contradictory. For example, I endorse the importation of labor, because it is an undeniable fact that there are not enough Hong Kong workers. However, before importing labor, the government must first deal with certain problems, such as the problem of workers not having proper drinking water."

The executive committee member mentioned above also acknowledged, "Many members are experts in the social, political, and educational areas, while specialists in economics are more scarce. In the past the Association for Democracy paid more attention to allocating a bit more of the pie to the middle and lower strata. Luo Xiangguo is looking at how to expand and make the pie somewhat bigger. As it happens, this is just what the Association for Democracy needs to offset its deficiencies." It is evident from this that the Association for Democracy may undergo a certain transformation. As for the lack of contradiction between the so-called interests of the whole and grassroots interests, and whether these ideas can be mutually carried forward, we would still want to look at an analysis and assessment of the Association for Democracy's concrete policies in the future.

The Association for Democracy hopes to harmonize the interests of the whole with the interests of the middle and lower strata, while the HK Alliance often stresses straddling class interests. The two organizations seem to attach equal importance to the overall flourishing and economic development of Hong Kong itself, so that each citizen can benefit in the midst of such development. Under this rather ideal major premise, the two organizations must allocate even more resources in order to do complex research on social policies. We may assert that, in order have a more mature expression, the Association for Democracy cannot remain in its former stage. Luo Xiangguo stated, "The Association for Democracy must also not lose sight of the fact that it appears to be purely and blindly making demands in the interests of the grassroots, regardless of the economy as a whole. This is

a difficult perception to overcome." Luo also stressed that he himself is not the same as a normal representative of a grassroots organization, because grassroots representatives concentrate only on fighting for grassroots interests, and do not consider such problems as what effects these interests will have on the economy as a whole and on cost distribution.

It appears that, no matter whether we talk about the Association for Democracy or the HK Alliance, both are in a process of change and development. At the same time, as the two organizations stride towards becoming mature political parties, will their ideological differences become obvious, or will the two groups tend to become more similar?

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